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NEWS SUMMARY

GENERAL

Jobless trend continues upwards

Unemployment continued its upward trend this month, although the headline total, including school leavers, fell back below 3m.

Employment Department figures give little reassurance that the underlying rate of increase in unemployment has moderated in the past few months. However, it is much less than it was at the peak near the end of 1980.

The fall of 38,000 in the unadjusted total to 2.97m jobless was less than the usual seasonal decrease at this time of year. The seasonally adjusted figures rose by 22,000 to 2.87m. Back Page

Syria jets downed

Israel's aircraft shot down two Syrian MiG fighters over Beirut after the Syrians intercepted them on a reconnaissance over the Lebanon. Page 6

Gulf states wait

Gulf states are waiting to see what moves Iran makes next after its military successes against Iraq, which has admitted evacuating the port of Khorramshahr. Page 6

Afghan offensive

Soviet and Afghan government troops began an offensive against a rebel stronghold in the Panjshir Valley, north of Kabul.

Ripper ruling

The Appeal Court refused Yorkshire Ripper Peter Sutcliffe's appeal against his murder convictions.

Nupe suspension

Leaders of the National Union of Public Employees suspended its last year's president from holding union office for two years after allegations that his conduct brought it into disrepute. Page 15

Rates rebate

Ratepayers in Scotland's Lothian region are to get a 14 per cent rebate from their Conservative-controlled council — but bus fares, school meals and meals on wheels will cost more.

School fire deaths

At least 10 died and 12 were missing after a fire that may have been started deliberately swept through a handicapped children's school in Air-sur-L'Adour, France.

Air escape for 100

More than 100 survived when a Brazilian Boeing 737 broke in half on landing at Brasilia airport in heavy rain. Two were killed and 20 injured.

Magazines seized

West German police removed thousands of copies of a left-wing newspaper from news-stands because of an article describing President Karl Carstens as a fascist.

Space supplies

An unmanned Soviet space ship docked with orbiting station Salyut-7 to deliver fuel, scientific equipment and mail for the two cosmonauts.

Early breakfast

The Independent Broadcasting Authority decided to bring forward by two or three months the starting date of ITV's breakfast-time service TV-AM, previously set at next May.

Briefly . . .

Grandmother, 75, from Colombia was jailed for three years in Los Angeles for smuggling cocaine into the U.S.

Two peregrine falcons and two goshawks worth £2,000 were stolen from a Stoke-on-Trent aviary.

BUSINESS

Equities up 5; dollar rises

● EQUITIES actively centred on defence stocks. The FT 30-share index rose 5 points to 580.8, a two-day recovery of 20.2, after last week's fall of 30. Page 39

● GILTS: the Government Securities Index was 0.01 up at 68.8. Page 39

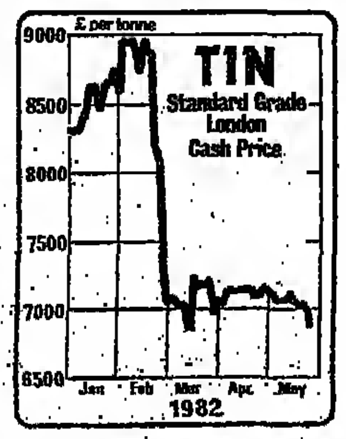
● WALL STREET was 2.66 up at 839.04 near the close. Page 38

● STERLING fell 5 points on the day to close in London at $1.805. It rose to DM 4.1775 (DM 4.155), FFr 10.815 (FFr 10.765), SwFr 3.5425 (SwFr 3.5325) and Y433.5 (Y430.5). Its trade-weighted index was 89.8 (89.6). Page 40

● DOLLAR improved to close in London at DM 2.3135 (DM 2.298), FFr 5.9925 (FFr 5.96), SwFr 1.9625 (SwFr 1.955) and Y240.1 (Y238.2). Its trade-weighted index was 113.3 (112.9). Page 40

● GOLD fell $0.25 in London to $328.25. In New York the Comex May close was $329.2 ($328.1). Page 33

● TIN CASH PRICE closed £95 down at £6,865 a tonne in the London metal market, its lowest since March. Page 33



● MIDLAND BANK is to introduce an interest-bearing current account. Page 9

● UNITED AIRLINES, the largest U.S. domestic carrier, has asked Boeing to cancel or substantially delay delivery of 20 new-generation Boeing 767 aircraft worth about $800m.

● BRITISH AIRWAYS is to sell International Aeradio, its profitable subsidiary, to reduce its debt before privatisation. Back Page

● BRITISH AEROSPACE, which recently announced 1,250 Midlands redundancies, is to cut its southern labour force by 950 by the end of the year. Page 10

● METRO-CAMMELL, the Birmingham-based railway cars supplier, has told union leaders that 400 jobs must go. Page 10

● BNOC has drilled a successful North Sea oil well, improving chances for a £350m development. Page 10. Oil industry delegation to ask Chancellor for tax changes, Page 10

● RECOVERY from the recession is much slower than in any economic cycle in the past 25 years says the National Institute of Economic and Social Research. Back Page

● GOVERNMENT AID scheme for small engineering companies will reject applications from Friday evening because of oversubscription, despite an increase in total funds from £20m to £30m. Back Page

● RENAULT reported net losses of FFr 675m ($112.5m) for last year, compared with profits of FFr 636m in 1980.

● RANKS HOVIS McDougall reported lower pre-tax profits of £21.04m (£21.66m) for the six months to March 6. Page 26; Back Page and Lex

● PHOENIX ASSURANCE reported taxable profits of £100,000 (£6m) for the first quarter. Page 26

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:		
Adams & Gibbon	101	+ 6
Amersham	221	+ 5
Bowthorpe	272	+ 6
British Aerospace	223	+ 7
Cable & Wireless	280	+ 7
Cater Allen	332	+ 17
Common Brothers	195	+ 7
Copydex	48	+ 4
Eagle Star	366	+ 9
GEC	900	+ 7
Glaxo	672	+ 7
Gomme	29	+ 4
Grand Met.	209	+ 7
Huntleigh	142	+ 6
Minet	193	+ 11
Muirhead	156	+ 10
Noble & Lund	19	+ 8½
Phoenix Assurance	238	+ 10
Redland	170	+ 4
Reed Int.	310	+ 6
Sumrie	49	+ 4
Tate & Lyle	194	+ 4
United Scientific	385	+ 10
Wolverhampton & Dudley	217	+ 9
Candecca	220	+ 8
Carless Capel	175	+ 8
Jackson Expln.	114	+ 10
Marinex	110	+ 12
Shell Transport	432	+ 6
FALLS:		
AE	45	− 4
Sothebys	315	− 15

UK is ready to use UN veto over Falklands ceasefire calls

BY PETER RIDDELL, POLITICAL EDITOR

THE British Government is prepared to use its veto at the United Nations Security Council, to block any proposal for a ceasefire in the Falklands conflict which does not involve a full withdrawal of Argentine troops.

Mrs Thatcher made this clear in the Commons yesterday when she also ruled out any talks about the future of the islands until the Argentines had left.

"To call for a ceasefire when Argentinian troops remain in occupation, would leave the whole paraphernalia of tyranny in place," she said.

She was speaking as Sr Nicanor Costa Mendez, Argentine Foreign Minister, urged the UN Security Council to call for an end to the hostilities and a resumption of negotiations.

The Prime Minister's comments underline the Government's view that a new phase in the dispute has started since the landings on the islands last Friday, with a renewed emphasis on the importance of the islanders' wishes, and references to "discussions" not "negotiation."

Mrs Thatcher also hinted that the Government was considering investment in the islands. She said that after restoring British administration "there will be a good deal of reconstruction to be done and then the future will have to be discussed with the islanders. I should be amazed if they were not now more hostile to Argentina than they were before."

Senior Ministers have been considering whether an attractive option might be to grant the islands independence backed by an international guarantee as a longer-term solution, which would answer any charges of colonialism and weaken Argentina's long-term position internationally.

There is something of an expectant lull at Westminster as MPs await the outcome of the fighting in the Falklands. It is, however, clear while opposition leaders support the landing and hope for a quick outcome, they will press for the reopening of negotiations if possible.

Mr Michael Foot the Labour leader repeatedly pressed Mrs Thatcher yesterday during Prime Minister's questions to say whether the Government was prepared to keep open the possibilities of negotiations in order to save lives. He referred to the comments of Mr Francis Pym the Foreign Secretary last Thursday about the Government's willingness to talk. Mrs Thatcher made clear that the conflict would end and discussions begin only when Argentina withdrew.

Later in a BBC radio interview, Mr Foot said it would be wrong to insist upon unconditional surrender, and Britain should keep open lines to the UN Secretary General. He said: "We have got to keep a door open for discussions and negotiations and an escape route for the military regime in

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UN ceasefire call faces British veto, Page 12
Opposition rifts deepen, Page 12
The better part of valour, Page 23
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Task force alert for big attack

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE British task-force was put on the alert yesterday for a big counter-attack which Argentine forces had been expected to make against Britain's Falkland Island bridgehead to mark their country's National Day.

The day opened quietly, with the Ministry of Defence in London reporting a lull. But, early yesterday evening, the Ministry announced that Royal Navy ships in the Falkland Sound, between the two main islands and providing access to the British bridgehead at Port San Carlos on East Falkland, had again been attacked by Argentine aircraft.

Three fighter-bombers, believed to be Skyhawks, had been brought down with no damage to British ships, the Ministry said. "One Skyhawk pilot ejected and was recovered."

At the same time, it announced that Harrier jump-jets had attacked the airfield and military installations at Port Stanley.

The Ministry said that all its aircraft had returned safely, but Telam, the Argentine news agency, said that two of the six Harriers involved in the attack had been shot down.

The expectation of new military activity was heightened yesterday when State Department officials in Washington reported "great military activity" in the Falklands area—a report which went unconfirmed in London.

However, it was suggested yesterday in Whitehall that Mr John Nott, the Defence Secretary, might make a major announcement in the Commons where he was due to answer defence questions. In the event, he categorically denied Argentine claims that the liner Canberra, which is now troop transport, had been damaged.

Mr Nott also said that two British support ships—believed to be the 5,600-ton Royal Fleet Auxiliary logistic landing ships—had been damaged, apparently in Monday's attack on the British bridgehead.

Three warships have now been sunk and four damaged. In addition to the Auxiliary ships, defence sources confirmed yesterday.

Earlier yesterday, Whitehall had insisted that, since the counter-attack on Monday, in which Argentina is said to have lost seven aircraft, there had been no significant military activity in the Falklands.

Whitehall would not say how far British troops had gone as they pushed out from the San Carlos bridgehead, but the sources noted that the force had to unload "a phenomenal amount of kit" in its effort to "equip its soldiers to fight ashore for as long as it takes" to repossess the islands.

Britain's ships and aircraft with the task force remained committed to Nato during their deployment in the South Atlantic, Mr Peter Blaker, a Defence Minister, said on Monday, but added that they were "generally at a lower level of availability."

FALKLANDS WEATHER: Wind W Force 7-8 (30-35 knots); 12-15ft seas. Cloudy, rain developing, reduced visibility. Temp. mid-40s F. OUTLOOK: Wind W Force 6-7 (25-30 knots). Cloudy with showers. Cooler.

Haig believes Britain has upper hand

Mr Alexander Haig, the U.S. Secretary of State, believes Britain has the upper hand in the battle for the Falklands and could be moving to an early victory, Reginald Dale writes from Washington.

State Department officials confirmed reports by leading Republican congressmen that Mr Haig had given this assessment at a White House briefing attended by President Ronald Reagan yesterday. They said Mr Haig, a former Nato supreme commander, believed that Britain should be "vigorous in battle and magnanimous in victory."

After the White House briefing, Mr Howard Baker, the Senate Republican majority leader, said that Mr Haig "had indicated that military activity had been very great in the past few hours and there was some prospect that we would see a result before very long."

Mr Robert Michel, Republican minority leader in the House of Representatives, said that Mr Haig had given the impression that "the British would appear to be in a position militarily to bring it to an early conclusion."

Pentagon officials said that, if the British tally of downed Argentine aircraft was correct, another all-out attack on the British fleet, with the same heavy losses that had been sustained in the past few days, might be the last that the Argentines could mount.

The State Department said the U.S. remained ready to be helpful in any future negotiations and renewed its support for Security Council resolution 502 as the basic framework for a settlement. The resolution calls for an end to hostilities, Argentine withdrawal and further negotiations.

Officials confirmed that the special ministerial meeting of the 30 nation Organisation of American States will reconvene in Washington tomorrow morning. Argentina, which called the meeting, wants it to consider "further measures" against Britain, ranging from diplomatic and economic sanctions to military support for Buenos Aires.

Citibank cuts prime rate to 16%

By Christopher Parkes in New York

CITIBANK, one of the two biggest banks in the U.S., yesterday cut its prime lending rate by half a percentage point to 16 per cent. This was the first reduction since March 8, in the rate at which top banks lend to their best customers.

Bankers said the move, which has been widely expected, reflected the recent drop in short-term interest rates.

Other banks, however, were slow to follow suit, and by mid-afternoon no other major bank had done so.

Mr Michael Callen, senior vice-president of Citibank, forecast however, that if short-term interest rates stayed where they were, "the others will be with us soon."

He was "60 to 70 per cent certain" that prime rates would continue to drift downwards, although he also expected some "hiccoughs" in July.

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Money Markets, Page 40

Grand Met launches rights issue

BY RAY MAUGHAN

GRAND METROPOLITAN, the hotels, brewing and leisure group headed by Sir Maxwell Joseph, yesterday launched the largest rights issue seen in the London stock market since British Petroleum raised £623m in June last year.

After the acquisitions of Liggett, the U.S. drinks and tobacco group, and the Inter-continental Hotels Corporation last year for a combined cash payment of £530m, Grand Metropolitan's debts have grown to about £950m. It is now proposing to reduce them with a rights issue raising £124.5m after expenses.

Its terms are one new ordinary share for every seven shares held at 174p. The existing shares rose 7p yesterday to 209p.

The issue brings the total of gross funds raised through rights in the City so far in 1982 to £483m and, with the exception of BP's financing, is the largest fund-raising of its type since Consolidated Goldfields called for £181m in November 1980.

Grand Metropolitan pointed out yesterday that while its interim profits for the year to March 31 last had grown by a tenth to £74.8m, interest payments had increased from £43.9m to £71.3m.

Mr Michael Orr, the group's finance director, said that the group had regarded its debt levels as acceptable and, since Grand Met's mainstream activities produced substantial cash flows and the balance sheet was underpinned by marketable property assets, it could withstand a higher level of borrowing than might be deemed appropriate by other companies.

However, capital spending is running at an annual rate in excess of £200m and it had "become apparent in recent months that the board would need to adopt an over-selective approach to new investment proposals in order to achieve worthwhile reductions in borrowings."

Mr Orr added that "if capital spending were set to tail off, then no new funding would be required."

As it is, the rights issue, which has been underwritten by S. G. Warburg, "will make a once and for all correction to the balance sheet which makes it less necessary to generate substantial positive cash flows year by year."

Brokers to the issue are Panmure Gordon, L. Messel and Cazenove.

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EEC braced for more tough talks on budget

BY JOHN WYLES IN BRUSSELS

EEC GOVERNMENTS began setting up their positions for an autumn budget battle with Britain yesterday almost before the ink was dry on their early morning deal which reduces the UK's payment to the Community budget this year.

Under the deal for this year, the other nine EEC members' earlier "take it or leave it" offer of a £448m rebate has been raised to £476m, leaving Britain paying £381 to Brussels this year. In case this contribution proves to be higher, British officials emphasised, they had also gained a "risk-sharing" formula which could be used to increase the rebate.

A commitment by the nine to decide a longer-term solution "before the end of November" was a key condition for UK acceptance of the interim 12-month arrangement.

France and West Germany have signalled that the next round of negotiations will be as tough as the series just ended. They will be seeking to build on concessions made by Mr Francis Pym, the Foreign Secretary.

While British officials stressed the concessions they had secured in the deal they did not deny that the UK had backed away from its earlier demand for a £564m rebate this year. British officials emphasise that the lower rebate agreed yesterday should be seen against the fact that Britain did "extremely well" out of the May, 1980, settlement which was the framework for the new deal.

Britain's partners intend to ensure that in the next round of negotiations the fact that the UK paid £530m less than planned to the EEC over the past two years is taken into account.

M Andre Chandernagor, France's Minister for Europe said yesterday that France would only accept a two-year agreement running until the end of 1984. He also insisted that any 1983 rebate must be less than the figure fixed for this year.

Mr Pym's flexibility during Monday night's negotiations won praise from all delegations and also from M Gaston Thorn, President of the European Commission. But there was some puzzlement, freely expressed by M Chandernagor as to why Britain appeared to dash for an agreement early on Tuesday morning.

"Britain's attachment to the Community is stronger than it appears. But she must make more efforts to adapt since she clearly wants to stay," commented the French minister.

The fact that Mr Pym had compromised brought tangible relief in Brussels where many officials were bracing themselves for a deepening of the crisis sparked by the overruling of the British veto on farm prices last week.

West Germany's hard-line stance was crucial in pinning Mr Pym to the final figure. Bonn also secured a concession from the other eight which agreed that West Germany should only pay half its normal contribution to the British rebate. In a follow-up to yesterday's deal, Germany gave notice that it would only pay a quarter of its share of any rebates agreed by November.

Details of the funding of this year's special payment to the UK had not been worked out by the time ministers broke up yesterday and there could still be arguments between France, Denmark and the Benelux countries as to how the burden should be distributed.

Margaret van Hattem writes: The Labour Party will today call on the Government to withhold payments to the EEC budget, in retaliation for Britain's defeat in last week's Farm Council.

In an amendment to the Government's motion on the role of the EEC in both the Falklands crisis and the budget dispute, Labour will express its strong disapproval of the one-year budget rebate, which it considers does not answer the underlying budget problem.

It will also call on the Government to make a "fundamental reappraisal" of Britain's relationship with its EEC partners.

The Government is bracing itself for a barrage of criticism from its own back benchers and from Labour in today's Commons debate.

The Government's motion welcomes the decision of seven other EEC countries to extend indefinitely the economic sanctions against Argentina but "regrets" that the Community's "customary procedures" were set aside at the Farm Council.

It calls for support for the Government "in its efforts to establish clear procedures of Community business and to secure continuing and equitable arrangements for the UK's budget contribution."

Britain and EEC partners declare truce, Page 2

£ in New York

—	May 24	Previous
Spot	$1.8050-8065	$1.7980-8010
1 month	0.18-0.22 pm	0.18-0.22 pm
3 months	0.50-0.55 pm	0.44-0.48 pm
12 months	1.60-1.70 pm	1.40-1.50 pm

EUROPEAN NEWS

West Germany fears French may quit EMS

BY JONATHAN CARR IN BONN

A WITHDRAWAL of the French franc from the European Monetary System (EMS) by the end of this year is regarded by the West German Government as a real, if regrettable, possibility. Such an action would not only dash the already fading hopes of further EMS development, but could mean a shift to greater French trade protectionism.

Both developments would be deplored by Bonn which, with Paris, was mainly responsible for bringing the EMS into being in 1979. The aim was to stabilise European currencies, facilitate trade and economic growth and help member countries carry through tough, domestic anti-inflationary policies.

Government officials here note not only the large sums being devoted by the Banque de France to help support the franc, but also the discouraging fundamental economic data. It is pointed out that the French trade deficit has been increasing rapidly, output is stagnant and inflation remains well over double the West German rate of 5 per cent.

Officials express admiration for the policy aim of M Jacques Delors, the French Economics and Finance Minister, and recognise that he is personally in favour of the EMS. Bonn is keen to do all it can publicly as well as privately to strengthen his hand.

However, it is also recognised that M Delors has strong opponents within the French Government, and it is not clear that President François Mitterrand is as basically dedicated to the EMS as was his predecessor, M Valery Giscard d'Estaing. It is thus feared in Bonn that a fundamental decision could be taken in Paris round about the autumn, not simply on whether to devalue the franc but on whether to keep the currency in the EMS at all.

The franc's departure would leave the system still more clearly dominated by the D-Mark, plus the Benelux currencies, the Danish krone and the Italian lira (which has a wider fluctuation band than the others). The pound sterling does not participate in the system's exchange rate mechanism.

Officials stress that if the departure of the franc from the EMS had technical, monetary significance alone then it would hardly be a disaster. But they believe the act would imply that the hopes of economic convergence between West Germany and France had proved utopian, and that co-operation between the two countries would be more difficult in future.

Already the Bonn Government is worried about its huge trade surplus (about DM 12bn) with France last year, recognising that a continuous imbalance of that order would stimulate protectionist pressure. That pressure is felt certain to increase further if the franc is released from the constraints of the EMS.

Vatican confirms Pope's visit to Britain

By Rupert Cornwell in Rome

THE VATICAN yesterday announced officially that Pope John Paul will go ahead with his six-day pastoral visit to Britain, due to start on Friday.

The historic trip, the first by a reigning Pontiff to Britain since Henry VIII's schism with Rome in the sixteenth century, was confirmed with the publication by the Holy See of details of the Pope's programme.

Until the last moment his journey had been cast into doubt by the continuing conflict between Britain and Argentina over the Falkland Islands. But now, although the British Catholic Church retains the option of advising against the Pope's visit, it seems certain that he will go.

The programme appears the same as that outlined several months ago. However, it is understood that in order to pre-empt any possibility of charges that the Pope is siding with Britain in its dispute with Buenos Aires, all planned encounters with British politicians have been dropped.

He will, however, meet the Queen, in her capacity as head of the Anglican Church, and the Royal family, for 40 minutes on Friday afternoon.

His call at Buckingham Palace will come hours after a Mass at Westminster Cathedral. The following morning he will celebrate an "ecumenical function" with the Archbishop of Canterbury at Canterbury Cathedral, to be followed the same afternoon by a Mass at Wembley Stadium.

The Pope will hold further Masses at Coventry, Liverpool and Manchester, before leaving for two days in Scotland. On June 2 he will travel to Cardiff where he will celebrate an open-air Mass, before returning to Rome from the city's airport in the early evening.

That the trip is going ahead is a measure of the Pope's determination to carry through his visit with its vast ecumenical significance. Despite the intensification of the fighting in the South Atlantic, the probability that he would go had increased notably in the last few days.

One factor had been the strong pressures on him from the British Catholic community, as well as a personal plea from Dr Robert Runcie, the Archbishop of Canterbury. Another has been the acquiescence of the Argentine church, after strong initial opposition.

The Pope has intimated his readiness to pay a similar visit to Argentina, perhaps within the next two months, to show that he is taking no sides on the Falklands issue. His neutrality, and insistence on an end to fighting was emphasised by the identical letters he despatched late last week to Mrs Margaret Thatcher, the British Prime Minister, and General Galtieri, the Argentine President.

BUDGET DEAL BRINGS BREATHING SPACE IN 'POISONOUS ARGUMENT'

Britain and EEC partners declare a truce

BY JOHN WYLES IN BRUSSELS

"A HEAD OF STATE and Government told me recently that we shall not be able to solve the Community's major problems before one minute to midnight," said M Gaston Thorn, president of the European Commission yesterday.

He was reflecting on the outcome of negotiations which actually drew to a weary close at 2.45 am yesterday morning with agreements which signal a truce in the extremely damaging confrontation of the last 10 days between Britain and its EEC partners.

Mr Francis Pym, the UK Foreign Secretary, and his colleagues at the British Foreign Office, are bound to make the most of the "success" of the negotiations by EEC Foreign Ministers during what may be an uncomfortable debate for the Government in the House of Commons today.

Great stress will be laid on the fact that six EEC partners have agreed:

● To an indefinite ban on imports from Argentina which two others, Italy and Ireland, will not apply but will not undermine;

● That Britain has now won an acceptable rebate of £476m to offset its total anticipated contributions of £857m to the EEC budget this year.

● That other Governments look ready to give assurances over the next few weeks that the majority farm price vote was an aberration which leaves intact a member Government's right to veto agreements which run against its important national interests.

These are all valuable gains which appear to have stopped the Community's crisis clock at one minute to midnight. Community solidarity with Britain over the Falklands has been re-affirmed.

The budget deal, meanwhile, is based on an undertaking to negotiate a longer term arrangement for the UK before the end of November and imposes an interval on what one senior British Minister has called a "poisonous argument" which has been dragging on for months and months.

Perhaps most important, this interval allows London to give its undivided attention to resolving its greatest overseas crisis of the last 25 years.

The Falklands conflict has been a constant thread running through Britain's difficulties in the EEC over the past few weeks. Several governments were encouraged to disregard the British veto on farm prices last week because they saw it as an ungenerous response to speedy adoption of the ban on Argentine imports in mid-April. Once this lever was snatched from the UK, London had the choice of either escalating the EEC dispute by withholding parts of its payments to the Community budget or of opting for a period of calm in Europe by snatching the best short-term budget arrangement it could get.

This is what Mr Pym did early yesterday morning, but in the process he was forced to compromise to an extent unacceptable two months ago when British confidence was still built on the threat of the farm price veto. He was forced to bend a hard-line from West Germany which remained almost totally inflexible down to the last lap of the negotiations.

This transformed the nature of the budget dispute, whose poles of difference have traditionally been Britain and France. In the spring of 1980, it was France which first relented with an offer of special rebates to the UK, and it was Germany which reluctantly picked up the tab for the May, 1980, agreement guaranteeing Britain rebates of 2.585bn European Currency Units (£1.4bn) in 1980 and 1981.

When it shouldered the responsibility for financing 36 per cent of these rebates, Bonn made it clear that, while it was willing to be the largest single contributor to the Community budget, other special burdens of this kind would have to be more fairly shared by France, the Benelux and Denmark.

Anxious to find more money for job creation out of a public budget already above target, West Germany decided on a rebate it could afford for the UK in 1982 and then dug in its heels to any further increase.

Once Mr Pym had indicated in early May that Britain would take a third year under the May, 1980, deal and negotiate later on a longer term arrangement, Bonn fixed its "bottom line" for the UK at ECU 800m ($448m). It remained true to this through negotiations on Monday night, adding, for good measure, that it would pay ECU 140m towards this rebate instead of the ECU 280m it would normally pay.

This is an important factor in judging Mr Pym's concessions.

In a paper produced last Tuesday he argued that a rebate in line with May, 1980, agreement would be ECU 1.008bn (£564m) — substantially less than ECU 1.2bn (£672m), the British had targeted a few weeks earlier.

On Monday night, Herr Hans Dietricht Genscher remained unmoveable as did his colleagues since they knew any further concessions would be at their expense. Their reluctance to accept this forced Mr Pym into settling for a rebate of ECU 850m which was only unlocked at 2.30 am after Herr Genscher had secured Bonn's agreement to raising Germany's cheque share to the UK from ECU 140m to ECU 153m.

West German inflexibility is one reason why M Thorn and others suggested yesterday that Mr Pym could have secured an identical agreement nine days ago in Luxembourg and, thus, avoided the humiliation over farm prices.

British officials indignantly reject this and claim that Monday's achievement lies in raising the offer from ECU 880m to ECU 850m, in removing from a Thorn compromise any reference to a fixed net contribution by the UK (which could theoretically reduce the size of the rebate), and in securing a "risk sharing" agreement which partially protects the UK against a higher net contribution this year than is forecast by the Commission.

But the firmest indication of the extent of UK concessions is Mr Pym's public stress on the need to see this year's rebate in the light of the unintended benefits gained by the UK under the *1980* agreement. Britain has, in fact, paid around £530m less into the EEC budget in 1980 and 1981 than was envisaged. With the 1982 solution, about 76 per cent of its payments will have been reimbursed while the intention in 1980 had been 66 per cent.

Until *this* week British officials have insisted that the happy outcome in 1980 and 1981 was an accident of history which partly reflected the negotiating incompetence of its partners, who, for their part, have been increasingly determined to force Britain to acknowledge its windfall in any 1982 solution.

THE AGREEMENT

● **On the basis of a Commission estimate of Britain's net contribution as 1.530bn Ecu this year, the rebate is fixed at 850m Ecu.**

● **The fact that Britain paid less in 1980 and 1981 will be taken into account when negotiating the multi-annual solution (British officials are "uncertain" about whether the text actually means this).**

● **If Britain's unadjusted payments are in fact between 1.53bn Ecu and 1.58bn Ecu, the UK will bear the cost. If they are between 1.58bn Ecu and 1.73bn Ecu, the extra will be shared equally between the UK and its partners. If the payment is above 1.73bn Ecu, Britain will absorb 25 per cent and its partners 75 per cent.**

● **Payments to the UK will be made out of the budget but the least prosperous member states may be relieved of some of their share. The Community "will take appropriate account" of the problem of West Germany's contribution.**

● **Ministers undertake to reach a decision before the end of November on a solution for 1983 and later.**

France plans further domestic borrowing

BY DAVID WHITE IN PARIS

THE French Government is to make its second domestic borrowing of the year next month with a further loan of FFr 10bn (£888m).

The loan, to be floated on June 9, is to help finance a budget deficit which is officially projected at FFr 95.5bn.

The eight-year bonds are to carry a fixed interest rate of 16 per cent, and not a floating rate as the Finance Ministry was originally believed to have been considering.

However, in line with the recent easing of rates on the money market, the coupon is below the 16.2 per cent attached to a similar FFr 10bn issue in January.

The last loan was rather less enthusiastically received than the Mitterrand Government's highly popular first issue last September, which carried a 16.75 per cent coupon and was pushed up to a total of FFr 15bn from an originally planned figure of FFr 8bn.

But bond dealers expect the new issue to go down well with the traditional institutional clients for state loans, such as pension funds, as well as with the public.

The Government, which has been waiting for its moment to announce a new borrowing before the summer holidays, has profited from a recent revival of both the primary and secondary bond markets.

Malta to tighten controls on foreigners' activities

BY GODFREY GRIMA IN VALETTA

THE Maltese Government is intending to introduce controls on a wide range of activities by foreigners in the islands. The Bill, aimed at controlling "foreign activities that may amount to interference in Maltese affairs," has been roundly condemned by the opposition as unconstitutional and running counter to the provisions of the Helsinki accords.

The Bill, which Mr Dom Mintoff's Government hopes to pass into law in September, does not affect commercial, industrial, diplomatic or sporting activities, nor those normally expected of visitors, such as tourists. However, it does bar activities that may constitute an interference in local affairs and the Government's foreign policy. It also prohibits participation by foreigners in activities which may give one political party an advantage over another.

Heavy fines and imprisonment in certain cases are prescribed for offenders.

In its present form the Bill leaves many questions unanswered. It is not clear, for example, whether the Government intends to restrict the activities of visiting foreign journalists. Nor is it certain whether it intends to stamp out completely the practice—common during electoral campaigns—for foreign politicians to appear on platforms with local political parties.

The proposed legislation also makes it illegal for Maltese to participate in foreign radio and television programmes intended to be received primarily in Malta. This means that the opposition Nationalist Party, which polled 4,000 votes more but won three parliamentary seats less than Mr Mintoff's ruling Labour Party at the last election, will be unable to continue using television stations in Sicily. The party has been broadcasting from Sicily because it claims that Malta's state-run broadcasting stations are biased towards the Government.

The Nationalists accuse the Government of trying to bring down an "iron curtain" around Malta.

Call for more cuts in Polish state spending

BY CHRISTOPHER BOBINSKI IN WARSAW

A WARSAW newspaper has called for further cuts in Polish Government spending to reduce the Zl 368bn (£2.4bn) budget deficit planned for this year.

The call came on the eve of today's debate on this year's budget and the prospects for the economy until the end of the year.

The newspaper, Zycie Warszawy, also urges that Mr Stanislaw Majewski, the head of Poland's national bank — which, under economic reforms introduced at the start of the year enjoys greater powers than before — should challenge present financial policy at the session.

The Government expects to have an income of Zl 2,250bn, while expenditure is set at Zl 2,618bn.

The largest planned item of expenditure which the Government is asking the Parliament to approve is subsidies to state-owned industry set at Zl 1,217bn.

Spending on health and culture is set at Zl 234bn, while insurance payments are expected to reach Zl 345bn.

Zycie Warszawy, however, is especially critical of a compulsory loan amounting to 30 per cent of after-tax profits which Mr Marian Krzak, the Finance Minister, is proposing to raise from state-owned enterprises to cover part of the deficit.

The loan is unpopular with managers who have had independence to recycle any profit they make under the new regulations.

The loan, which would be paid back by the state over three years after 1984, is seen as a blow to this newly-granted independence and to the companies' ability to modernise and invest.

The paper argues that since the national income is likely to fall by some 10 per cent this year, Government spending must reflect the drop.

"The Government, in order to maintain the social peace, wants to be kind and keep the welfare umbrella wide open." "The alternative must be a policy of real savings which would concentrate on the bare minimum of needs."

Import curbs narrow Yugoslavia's trade gap

BY ALEKSANDER LEBL IN BELGRADE

YUGOSLAVIA may end this year without a deficit on its current account balance of payments because drastic import reductions are narrowing the country's trade deficit faster than expected.

This forecast comes from Mr Sergej Kraigher, who this month stepped down from a year as president of the Yugoslav collective leadership but remains a member of the nine-man presidency council. The current plan is for a reduction in Yugoslavia's hard currency current account deficit which was $1.4bn last year, from $500m this year, to zero in 1983.

But Mr Kraigher, who has been chairing a high-level commission on the country's future economic course, now considers the deficit might be eliminated this year, ahead of schedule. The reasoning behind this is that the January-April trade deficit this year was $790m less than in the same period of 1981, even though exports, and particularly imports, were well below planned levels.

This has been, in effect, a "forced" improvement, because Western banks and official credit agencies have been reluctant to advance export credit to Yugoslavia and, thus, imports are way down. Forced or not, if the same trend continues, this year's trade deficit could end up less than $4bn compared to the $5.3bn level originally projected. With its traditional surplus on invisible trade, Yugoslavia might then show an overall surplus on its current account.

Standard rules for oil rig safety proposed

By Fay Gjester in Oslo

A PLAN to fix common European safety standards for oil drilling rigs has been approved at a conference here of representatives of nine European governments and six international organisations. If the governments involved agree, the aim is to establish a voluntary certification system, making it simpler to move rigs from one country's sector to another.

At present, a rig moving to a job in another country's waters must be inspected by that country's authorities and perhaps slightly modified to meet their standards. The conference proposed rules to cover 15 different aspects of rig safety, for example, anchoring, stability and rescue equipment.

Owners could obtain from any of the nine countries a certificate accepted by all. This would mean less work for certifying authorities and save time and cut costs for rig operators.

An official of the Norwegian Maritime Directorate believed the rules would increase safety by incorporating the best of each country's requirements — "a kind of highest common denominator of safety."

Norway, which tightened its safety rules for all types of floating rigs after the loss of the hotel platform "Alexander Kielland," is keen to see international standards raised. Norwegian rig owners, however, have expressed concern that the tough rules with which they must comply could make their rigs uncompetitive in parts of the world where governments are less safety-conscious.

The nine countries represented at the Oslo conference—the third of its kind — were Norway, Britain, Ireland, France, the Netherlands, West Germany, Denmark, Sweden and Belgium. They have been meeting periodically since 1973 to discuss offshore safety but consultation between officials on the subject is more or less continuous.

Norway's Oil Directorate, meanwhile, has warned that personnel shortages last year prevented it from fulfilling properly its task of supervising safety offshore.

Walter Ellis in Amsterdam reviews the implications of coalition Government's collapse

Political vacuum threatens Dutch economy

AN INTERIM Dutch Government, headed by Mr Dries van Agt (right), is expected to be announced today, writes Walter Ellis. As expected, it will comprise the Christian Democrat and Democrats 66 parties in a minority administration, which probably will remain in office only until a general election in the autumn.

The Netherlands has been without an effective Government for a fortnight, and difficulties are understood to remain not merely about economic strategy but over the timing of an election. Mr van Agt's Christian Democrats want to postpone polling day until his new administration has introduced the budget in September. Democrats 66 prefer an election as soon as possible fought on the terms of rival proposed budgets.

Mr Joop den Uyl, leader of the Labour Party, whose angry withdrawal from the previous, three-party coalition over proposed spending cuts precipitated the crisis, is demanding an election before the budegt and has some support from the opposition Liberals.

Queen Beatrix will be well aware of the delicate nature of agreements reached between her fueding politicians. Acting, however, on the advice of her "informateur," Mr Piet Steenkamp, she seems bound to go ahead

A FURTIVE look has crept over the normally open face atop the Netherland's body politic. The recent collapse of the ruling Centre-Left Coalition has meant that MPs are once more in the market for partners, and deals done in corners are by no means excluded.

The prize is power, but the responsibility is greater: how to draw the Netherlands back from the brink of economic decline.

With unemployment over ½m—10 per cent of the labour force—and with even the biggest companies facing difficult trading conditions, Dutch bankers and businessmen are anxious that the political vacuum should be filled as quickly as possible. They were gloomy about the country's economic prospects even before the crisis, but now they fear that the absence of direction from the top could turn a chronic difficulty into something worse.

Bankruptcies and closures have been on the increase over the last 12 months and the profit trend is downwards. Companies, though, have sought to exercise control and are anxious to prevent their carefully structured retreat from being turned into a rout.

Analysts in Amsterdam are not convinced that an economic armageddon need be at hand, but they do sense a growing unease and a belief that only a strong government, undeterred by short-term political expediency, can turn the country around and restore the traditional pattern of growth.

There are other factors at work. The world recession will make its presence felt in the Netherlands no matter who is in charge, and natural gas, once exhausted, cannot be restored. Nevertheless, while the talk among the workers is of the growing length of the dole queues, conversation in the board rooms continues to turn on which political leader can be relied upon to call a halt to big-spending policies.

The era of restraint is waiting to be ushered in: who, businessmen are asking, will take it by the arm and guide it into the light?

Premier Dries van Agt's recent proposal of cuts in public spending, with its consequent reduction in public borrowing and (unspoken) abandonment of the Labour party's cherished job-creation scheme, was the immediate cause of this month's crisis. Labour found the plan unacceptable. Mr van Agt has demonstrated, however, that he is determined to see it through, and his unyielding stance has made him the overwhelming choice as the businessman's candidate.

One additional reason for the Christian Democrat leaders' popularity is, no doubt, his stated intention to increase investment in industry by means of a novel form of tax break. He proposes that a proportion of income tax should be invested in employees' own companies, with advice on how the money should best be spent coming from, among others, the workers themselves.

Volvo Car, the independent Dutch offshoot of the Swedish car maker, and Océ-van der Grinten, the reprographics group, have each thrived on state aid over the past year. Industry is keen that, by one means or another, fresh capital should be made available to help with the purchase of new equipment and to aid research.

The Labour Party, under Mr Joop den Uyl, a former Prime Minister and long-standing rival of Mr van Agt, would be prepared to accept such a deal, but not at the expense of its own plan for the large-scale creation of jobs. Labour and the Christian Democrats could be said to share the same vision — a prosperous Netherlands with full employment — and are certainly ready to discuss compromise over specific ideas. Unfortunately, at present they are approaching the problem from opposite directions and a meeting in the middle seems a long way off.

Mr den Uyl has the support of the trade unions, which are ready to demonstrate at the drop of a hat if it means that the Government's guarantee of a high national minimum wage is kept in place and there is no reduction in the present scate of sickness benefits. Mr van Agt would like to see both cut in a bid to bring down the horrendous cost of the welfare state; Mr den Uyl has replied that the system is an essential part of civilised government and cannot be touched.

Mr den Uyl is also concerned about wage indexation, which the Christian Democrats continue to accept in principle but only with changes in the ratio of pay rises to rate of inflation so that increases are kept lower than at present. Industry agrees, the unions do not.

If Mr van Agt succeeeds in putting together a minority cabinet with his other erstwhile partners, Democrats '66—a politically ambiguous party with 17 seats in Parliament—he will need the tacit support of the Opposition Liberals (VVD). This he is likely to get, for the VVD worked well with the Christian Democrats in the previous administration, but elections could remain practically inevitable.

By convention and choice, once a party has entered Opposition in the Netherlands, it cannot join the Government without an intervening election. Autumn is the likely choice for a contest and, unless victory is clear cut, further extended horse trading would then begin with a new Cabinet in office, perhaps by Christmas.

Outright victory for the Centre-Right is as things stand, a real possibility. Labour did extremely badly in the local government elections in March and is currently low in the opinion poll. Democrats, '66 a party of progerssive liberals is in an idealogical muddle. A new van Agt Government could waed straight into the issue of econmic restraint and push through the Fl 12bn (£2.6bn) or so in cuts for this year and next which the Premier considers essential to recover.

Labour, for its prat, would probably be reduced in size and, in Opposition, could well be forced by the Government out to the extremes of its policies. In *In this*, it would have the support of large sections of the trade union movement—thus, perhaps, paving the way for widespread industrial confrontation.

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If Mr van Agt does triumph *this year, he will have to act* quickly and with resolution, and his policies will have to be seen to bear early fruit. The Unilever, Philips and Akzo—can weather almost any storm. Other enterprises are more vulnerable.

Industry wants the van Agt cuts, but they do not want massive union discontent, such as that which has brought much of Rotterdam Harbour to a standstill in recent weeks. *How* much unemployment and how much unrest can be borne while the recovery is engineered is *the judgment* that shortly will have to be made.

Dutch army criticised by Nato chief

THE HAGUE — The Supreme Commander of Nato forces in Europe has criticised the quality of the Dutch army and said the Netherlands should double the number of troops it has stationed in West Germany.

General Bernard Rogers of the U.S. told a meeting of Dutch reserve officers yesterday that he was concerned at the strength of Dutch units which would come under his command in a crisis. Their standard of training fell far below desirable levels, he added.

He said the Netherlands should station an additional brigade in a forward position in West Germany to supplement the 5,500-strong brigade it already has there.—Reuter

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Banks' controls questioned after Drysdale default

BY DAVID LASCELLES IN NEW YORK

MR ANTHONY SOLOMON, president of the New York Federal Reserve Bank, yesterday questioned the quality of controls at Chase Manhattan and other banks involved in last week's Drysdale government securities affair, and said he thought they should be improved. Mr Solomon also said an investigation was under way to determine exactly what happened. He doubted, however, that more trading firms were about to default as Drysdale did last week, and he advised Congressional lawmakers against assuming that more regulations would avert a repeat of the problem.

Mr Solomon's remarks, made at Senate hearings which opened here yesterday into the causes and impact of Drysdale's failure to pay several hundred million dollars of interest on borrowed securities, marked the first public response of U.S. banking officials to the crisis. But he and officials from the U.S. Treasury and the Securities and Exchange Commission who also appeared yesterday, emphasised that Drysdale's financial position was so complicated that it might be some time before all the facts were known.

Mr Solomon, whose bank closely supervises the Government's securities market, said Drysdale's problems arose "because its activities were conducted on a scale out of all proportion to its capital."

Drysdale held positions in market worth billions of dollars, he said, though the firm's capital base was of the order of $20m.

"Drysdale apparently failed to contain its risk and left itself exposed to moves in interest rates," he said.

As for the involvement of the banks, which helped Drysdale assemble the bonds necessary to take up its position, Mr Solomon said there were still some legal issues to be resolved as to who was liable for Drysdale's debts. But, he added, "without taking a position on a legal matter which might be tested in the courts, it does seem that the banks could improve their control procedures."

Apart from Chase Manhattan, two other banks—Manufacturers Hanover and U.S. Trust Company—were involved with Drysdale, though on a much smaller scale. Chase has said that its after-tax losses could amount to $135m, roughly the equivalent to one quarter's earnings.

Mr Solomon told the hearings: "It would be premature at this time to consider rule-making." No member of the public had lost money because of the crisis, he said, and the financial markets had stood up to it encouragingly well. He also said that the crisis had forced U.S. banks and dealers to take a good hard look at their trading partners, and if this had thrown up any new Drysdale-type problems, he was sure he would have heard about them.

However, Wall Street was conducting its own investigation into the affair, and he hoped this would prompt dealers to improve their techniques and close the loopholes that Drysdale was able to exploit.

The regulatory authorities would also be investigating last week's events, he said, but he doubted at this stage that new laws or regulations were needed.

"Formalised regulation could well add to the costs and impede liquidity in this highly efficient market where the Treasury finances its debt and the Fed conducts monetary policy," he said.

Investment insurance agency proposed

By Anatole Kaletsky in Washington

A NEW international investment insurance agency was yesterday proposed by Mr A. W. Clausen, president of the World Bank.

Mr Clausen also said the World Bank may participate in syndicated commercial credits to developing countries as part of a "new era of partnership" between the World Bank and the international commercial banking community.

Mr Clausen, speaking at the international monetary conference in Vancouver, said commercial banks could simultaneously increase their profits and strengthen the international financial system by combining their vested interests with those of the developing countries and the World Bank.

Specifically, he proposed a major increase in co-financing, in which commercial banks join in the financing of World Bank projects. He argued that private banks enjoyed added security by committing their funds to co-financing with the World Bank because of its proven track record in developing successful projects and because of its unique relationship with developing countries.

The World Bank has never rescheduled or faced a default on a single loan, he pointed out. Certain banks, including Amsterdam-Rotterdam Bank, and supervisory authorities, including the Bank of England and the U.S. Treasury, had recognised this by treating co-financed loans as a *separate category* when assessing exposure to country risk.

Mr Clausen said the World Bank was *evaluating* "a broad array" of co-financing techniques, including syndicated loan participation. The bank's board would probably approve some of these in the next few weeks.

Mr Clausen will also present to the board the idea of a multilateral investment insurance scheme in the next few months. It is understood that this would work with private insurance companies and national export credit organisations, such as Britain's Export Credits Guarantee Department, to insure private investors in developing countries against country risks, including nationalisation.

In addition, the World Bank intends to expand the International Finance Corporation, a bank affiliate, which lends to and invests directly in private sector ventures in developing countries.

Even in the poorest developing countries of sub-Saharan Africa, $100m (£55.5m) of IFC investments had mobilised $600m of other private funds, Mr Clausen said.

Anatole Kaletsky in Washington looks at U.S. policy in the Middle East

Haig to boost talks on Palestinian autonomy

HAVING CUT his teeth on the abortive Falklands talks, Mr Alexander Haig, the U.S. Secretary of State, is now preparing to bite into a dispute so tough that it will make the Falklands crisis seem like a blancmange. Mr Haig is expected to make a major statement on the Middle East in Chicago today with the central aim of injecting new life into the talks between Israel and Egypt on Palestinian autonomy. These, he believes, still hold out the best, and probably the only, hope for creating last stability in this vitally important part of the world.

Mr Haig is expected to address himself to the Palestinian problem partly because the Reagan Administration has been accused of lacking a coherent policy on the Middle East and this is an omission it can no longer afford.

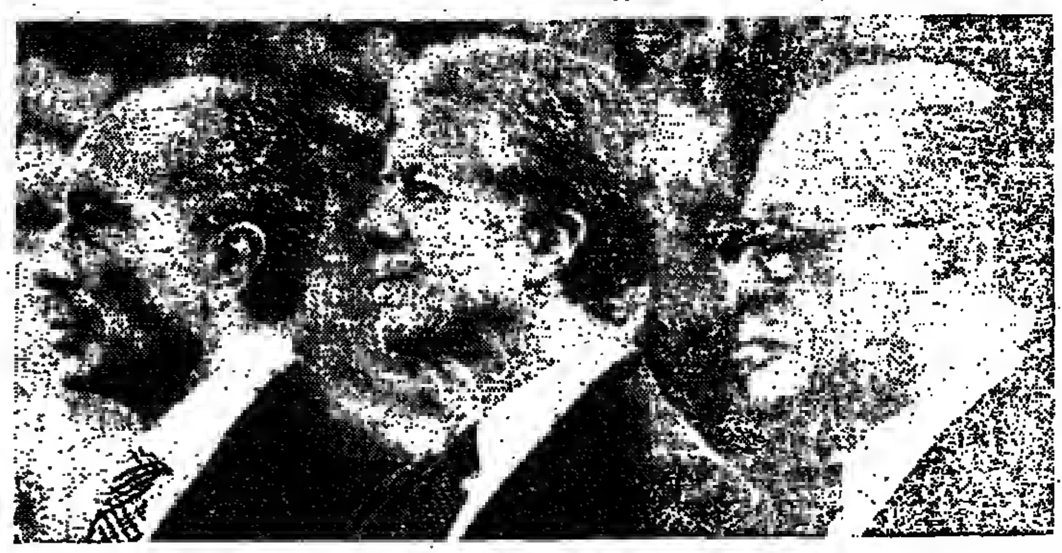
There are at least three serious crises in the Middle East at present: the Iran-Iraq war, the precarious ceasefire on the Israeli-Lebanese border and the Palestinian unrest on the West Bank of the Jordan.

The Administration now seems to agree with most observers in Europe that the Arab-Israeli conflict is at the heart of the Middle East's most intractable problems. Mr Haig believes that the only key which could conceivably fasten this Pandora's box of troubles is the one fashioned in 1978 at Camp David by Egypt's then President, Anwar Sadat, Israel's Prime Minister Mr Menachem Begin and President Jimmy Carter.

The Camp David accords covered three basic issues: recognition of Israel by Egypt, Israel's withdrawal from occupied Egyptian territory, and negotiations on temporary autonomy for the Palestinians on the occupied West Bank and Gaza Strip. Establishment of autonomy would be followed, after five years, by permanent

Jordan regards the Camp David accords "in their original wording" as a partial basis for re-establishing the "middle ground" in the Mid-east and defusing the Israeli-Arab conflict, Crown Prince Hassan of Jordan said yesterday in Washington after meeting Mr Alexander Haig.

He said there had been a real achievement for the Camp David process in Israel's withdrawal from the Sinai. The question for moderate Arab opinion was not whether to accept or reject Camp David but how to build on its achievements



Sadat, Carter and Begin at signing of peace treaty

agreement on sovereignty over the occupied territories.

The Sinai handover, Mr Haig said on Sunday, was an event of major significance. "With that behind us, the time has come to turn to the other aspects of Camp David. I believe we are now ready to get moving (on the autonomy question)."

President Reagan is due to hold talks with Mr Begin next month and Mr Haig has been meeting this week with Mr Ariel Sharon, the Israeli Defence Minister. The first obstacle President Reagan will have to overcome will be Mr Begin's insistence that some of the talks be held in Jerusalem, a city which the new Egyptian President, Mr Hosni Mubarak, refuses even implicitly to recognise as Israel's capital.

But this will be the least of the U.S. Administration's problems in persuading not only Israel and Egypt, but eventually other Middle Eastern countries as well, to take the autonomy talks seriously. Without some form of participation eventually by other countries, particularly Jordan, and now by representatives of the Palestinians, any agreement reached between Egypt and Israel "cannot make much sense," a senior State Department official concedes.

He says, however, that there has been good progress on several substantive issues in recent bilateral meetings, in which U.S. officials have talked separately to Israel and Egypt. The U.S. approach has been to concentrate on specific, practical issues, avoiding generalisations which could raise controversial matters of principle.

This method has produced some measure of agreement on: the powers of a self-governing Palestinian authority, the method of election to the authority, the composition and control of security forces in the occupied areas, and water rights —a very important issue since much of the water from the occupied areas is now diverted for use within the pre-1967 boundaries of Israel.

If the time comes to start fitting together the narrow, practical elements of an agreement, however, it is all too likely that the picture revealed by the jigsaw would prove offensive to one side or other, if not to both. For the fact is that observers outside the Administration believe that the fundamental differences of principle which could undermine any chance of agreement remain as wide as ever before, if not wider.

On the question of the West Bank and Gaza, the Israeli Government has given no real indication that it regards its control as strictly temporary. There is also the vexed question of how Palestinian autonomy should be defined.

But even such esoteric controversies are child's play in comparison with the really intractable problem: Jerusalem.

Jerusalem is so contentious that the Camp David accords specifically refrained from even mentioning the name. Even the moderate elements of Israeli and U.S. public opinion, which would urge compromise on other issues, support Israel's claim to the biblical city. By the same token, for many of the most important Moslem nations, including Saudi Arabia, the return of east Jerusalem is the first, and practically non-negotiable, requirement which any settlement of the West Bank problem would have to fulfil.

Nobody has even begun to see a way out of this conundrum but the U.S. Administration's hope is that this issue can somehow be shelved or finessed for the time being, as it was at Camp David, if there is enough agreement on other points.

In the short run, this may be possible, particularly if President Reagan can persuade Mr Begin to make some conciliatory gestures. Egypt, which is trying hard to mend its fences with other Arab states, needs less persuading to try to make the talks work since this would prove that its commitment to Palestinian autonomy at Camp David was both sagacious and sincere.

Baghdad admits Khorramshahr loss: Page 6
Israelis down Syrian MiGs, Page 6

Compromise plan for solving Essequibo dispute

BY KIM FUAD IN CARACAS

VENEZUELA'S CLAIM to two-thirds of neighbouring Guyana's territory could be resolved through a compromise agreement under which the 50,000 square miles disputed zone would be split between the two nations, Venezuela's leading opposition party said yesterday.

Senator Gonzalo Barrios, president of the "Accion Democratica" Party, said Venezuela should seek a peaceful and practical solution to the claim to the so-called Guyana Essequibo area, which Venezuela has claimed since the last century.

On June 18 a 12-year freezing of the claim ends. Venezuela and Guyana are expected to open negotiations under a mixed border commission, which includes Britain, established in 1966.

Dr Barios flatly rejected calls by ultra-nationalists to use force to recover the disputed area from Guyana.

"They seem to forget that it is a sovereign, recognised country and that Venezuelan aggression would certainly bring about a juridicial, diplomatic and economic reaction with an outcome that would not favour us," he said.

Venezuela bases its claims on the assertion that an 1899 international arbitration of the dispute, which gave the then British colony of Guyana the area, was flawed and consequently not now valid.

Latin America and Falklands dispute, Page 4

Mexican exchange controls ruled out

By William Chislett in Mexico City

THE BANK of Mexico has ruled out foreign exchange controls despite the massive outflows of capital sparked off by the 45 per cent depreciation of the peso since it was floated in February.

However, an increasing number of Mexicans still fear that controls will be imposed, partly because they tend to believe the opposite of what their Government tells them.

Businessmen point to the government's promise to defend the peso "like a dog," and doubt the equally vehement denials over the introduction of exchange controls.

Mexico's primary international reserves, which stood at a record $5bn (£2.7bn) at the end of 1981 (a further $5.7bn are secondary) are now at a precariously low but unknown level. An estimated $1.2bn "left" Mexico in the six weeks before the peso's flotation, and capital outflows have remained high in the past few weeks.

"Mexico cannot support this drain on its reserves for ever," said a U.S. banker, who added that he was receiving calls from Mexicans about placing their money in U.S. bank accounts.

If the report prepared by Sr Miguel Mancera, the Bank of Mexico's new director general, is to be believed, Mexico will not try to stop capital outflows through exchange controls, which have never existed in the country.

The lack of controls and the continued outflow of capital, despite the more realistic exchange rate, are fuelling speculation that the Government may be forced to devalue the peso to make the buying of dollars prohibitive.

At the moment there is free convertibility of foreign exchange and unhindered repatriation of profits.

Rise in salary sweeteners lures executives abroad

BY RICHARD LAMBERT IN NEW YORK

BIG U.S. companies are increasingly having to sweeten the pay cheques of executives working overseas in an effort to make foreign service more attractive.

The reason, according to a study published today by the Conference Board, is that foreign service has become far less attractive than it used to be for most Americans.

"The steady rise of anti-Americanism has eroded the psychic compensation, while reduced purchasing power of the dollar, magnified abroad, plus inflation at home has just about removed the financial advantages," the study claims.

The analysis is based on 123 large companies with combined sales exceeding $7bn (£3.8bn), all of which have large international interests. Compared with a similar study made in 1972, it shows a significant increase in the proportion of companies paying special allowances to their expatriate employees. When all the items are added together, including transportation and vacation allowances, the whole lot can come to two to three times a U.S. employee's equivalent salary.

The study analysed the different elements of the expatriate's pay package under several headings:

● **The foreign service premium.** This is a relic of the days when foreign service meant real hardship, as well as total isolation from the nearest and dearest. All the same, 74 per cent of the companies surveyed still include this premium in their pay plans, and 69 per cent also make separate hardship allowances.

● **Cost of living allowances.** Offered by 97 per cent of the companies in the study, this turns out to be one of the hardest items to work out to everyone's satisfaction. More than three-quarters of the companies hire outside consultants to help them arrive at an answer, but there are still lots of complaints.

● **Housing.** The vast majority of companies (94 per cent) have adopted a housing assistance plan. These come in many different shapes. Some employers pay the full rent and utilities, others defray the notional extra rent; still others provide company-owned housing.

● **Income tax protection.** This is provided by 96 per cent of companies in the survey. Thanks to the Economic Recovery Tax Act of 1981, the tax burden on many U.S. expatriates (or their employers) will be substantially reduced. But many will remain on the U.S. tax books, and all will be subject to highly progressive foreign taxes.

● **Other fringe benefits.** Almost all the companies extend performance bonuses to their expatriate employees, mainly in the form of current cash income.

Compensating Foreign Service Personnel. The Conference Board, 845 Third Avenue, New York, New York 10022.

Moscow unlikely to offer arms aid

By Anthony Robinson in Moscow

THE SOVIET UNION is most unlikely to respond positively to any Argentine request for military equipment to help stave off military defeat over the Falkland Islands, and there is no evidence that any such request has been made, Western diplomats believe.

Asked to comment on reports from Buenos Aires that Argentina might be willing to accept Soviet military aid, diplomats said: "There has been no hint that the Soviet Union is playing that game or intends to."

This reflects the general view in Moscow that the Soviet Union is content to reap political dividends from the crisis without entering into an involvement which could lead it into direct conflict with the U.S.

Thus far the Soviet Union has taken a strongly anti-British and anti-U.S. line over the Falklands and coupled this with general expressions of support for Latin America, the Third World at large, and the Argentine people.

At no stage, however, has it endorsed the Galtieri regime and might indeed be embarrassed if the Right-wing military regime made an open request for Soviet arms.

There is also considerable scepticism among diplomats about the likelihood of Argentina even making such a request, which would imply a fundamental change in Argentine foreign policy and the need for a lengthy training period in Soviet military equipment.

It is also considered unlikely that Argentina would call upon the Soviet Union's main Latin American ally, Cuba, for military assistance, even within a wider framework of general Latin American solidarity with an Argentina in distress.

The Soviet news agency Tass, however, did report yesterday on Argentina's note of thanks to Cuba for its support in the dispute with Britain and also reported a warning by Sr Amadeo Frugoli, the Argentine Minister of Defence, that other countries might be drawn into hostilities and that the crisis might be internationalised.

Hugh O'Shaughnessy describes the current mood of heart-searching in Buenos Aires

Argentine concern at closer Moscow links

THERE WAS much heart-searching in Buenos Aires on Monday, when the government-inclined newspaper, La Nacion, said the junta was ready to receive military help from the Soviet Union.

A spokesman at the Palacio San Martin, the mock-Louis XVI Hotel which houses the Foreign Ministry in tree-shaded Plaza San Martin, was quick to back up the story or even reinforce it.

Argentina certainly could not stand by in isolation, the argument went, while her forces were beaten by British forces backed by the U.S., cheered on by Nato and supported by New Zealand.

A senior naval officer, asked about the real possibility of a conservative and bitterly anti-Communist country such as Argentina getting arms from Moscow, replied: "We would rather die with our boots on and our mouths open than take Moscow aid.

"It would be totally against our ideological principles, as you rightly infer."

When he saw the front-page article in La Nacion, which he had not read earlier, he was clearly and genuinely astounded and did not speak for a few minutes.

As British pressura increases on the Argentine in the Falklands and the possibility of a British victory becomes hourly less unthinkable, Argentine foreign policy is having to assume increasingly perilous contortions in order to try to stave off the disaster which the Galtieri Government, from April 22, has assured its public would never happen.

The very fact that some sectors of government are suggesting a pact with Moscow is a measure of the deep depression about the course of the war that some senior junta figures must be feeling and which is just beginning to trickle down to some members of the public.

The fact is that Argentina could have no other diplomatic or military option than a rapprochement with the Communist bloc in the Falklands adventure.

For all the great verbal support for Argentina's cause in the Falklands that Sr Nicanor Costa Mendez, the Foreign Minister, has won from Latin America, it is clear that no Latin American country has the military resources to turn the war round for Argentina.

It is also increasingly clear that few Latin American countries would aeriously think of sending troops, even if asked.

Peru's generals have offered aid btu this offer was effectively withdrawn at the weekend by President Belaunde Terry who said that Peru could not allow its own defences to drop. He was doubtless thinking of his own country's border disputes with Ecuador in the north and Chila in the south.

Gen. Galtieri: trying to stave off disaster

Venezuela, Argentina's other vociferous supporter, has an army which has been bloodied in occasional skirmishes with guerrillas in the tropical jungle and savannahs, but it is comparatively small and unused to fighting in the Antarctic conditions of the South Atlantic.

Having said all this, it must be emphasised that there is still no clear sign that the Soviet Union would be prepared to give the junta any more military help than satellite intelligence reports—or that any more concrete aid, if it were eventually offered, would arrive in time to make any difference to the present round of fighting.

Indeed, all the noises coming out of Moscow currently indicate an extreme reluctance on the part of the Soviets to give military aid.

The contortions of Argentine foreign policy begin in Buenos Aires, for it is clear that for many Argentines, officers and civilians alike, any military rapprochement with the Kremlin would be totally unacceptable.

For every super-nationalist in the Foreign Ministry and the armed forces willing to accept Soviet aid, there are five or 10 ordinary soldiers or conservative church-going Catholics who would rise up at the thought of a Western Christian government such as Gen Galtieri's has always claimed to be, making a pact with the Soviet anti-Christ.

The same would be true for any military pact with the Cubans, who are regarded as the anti-Christ of the Western Hemisphere.

The Foreign Ministry appears to have made several gross political miscalculations which are now costing the country dear. The naval officer put it most plainly when he said: "We have four enemies facing us—Nato, the EEC, the U.S. and Britain, in descending order of importance."

Argentina has harboured unrealistically optimistic hopes that Washington would, out of a sense of hemispheric solidarity, side with Buenos Aires in the Falklands dispute, or at worst maintain an even-handed policy.

An over-valuation of the strategic importance to the West of the South Atlantic and the Falklands themselves, prompted perhaps by a series of visits to Buenos Aires by U.S. naval officers eager to push the idea of a South Atlantic pact, has led to bitter disappointment.

Argentina's cup of bitterness came close to overflowing on Monday with the decision of the majority of the EEC to continue economic sanctions.

Much of Argentina's long-range economic planning has been based on the explicit argument that Europaan industry and business were eager to set up in Argentina.

Argentine troops on helicopter patrol—an official picture from the junta's news agency.

Latin America starts to consider the consequences

BY ANDREW WHITLEY

THE FALKLANDS crisis, notably because of the speed with which it developed, its intensity and, above all, its unexpectedness, has clearly had a profound impact on the two Governments and peoples at war. While the fighting continues and the final outcome remains in doubt, London and Buenos Aires will wish to postpone any serious examination of the long-term consequences.

The same cannot be said of the rest of South America. Everywhere from Santiago to Caracas people are picking over the implications of this conflict, in which principles of self-determination are set against those of national sovereignty, a former colonial power fights an early product of the liberation struggle and the North-South economic dispute takes on a military character.

The ease with which economic sanctions were applied against Argentina worries other deeply-indebted countries such as Brazil, Chile and Venezuela, even if no direct parallels can be drawn. "It made us realise our vulnerability to similar action," a senior Brazilian official said.

The failure of the 1947 Inter-American treaty of mutual assistance, otherwise known as the Rio treaty, to provide more than moral support for Argentina is also apparent. The pact, a U.S.-inspired precursor of its better-known counterparts such as the North Atlantic Treaty Organisation, is unlikely to survive.

Up and down the continent, U.S. diplomats are wringing their hands over the "cataclysmic" effect of the Falklands conflict on their Latin American relations.

"The Haig shuttle mission was a disaster," one unhappy diplomat commented, examining the ruins of the Reagan Administration's attempts to make up for the damage done to long-standing regional friendships during the Carter era.

Unresolved border disputes abound in South America. Venezuela's claim to over half of Guyana, Colombia's dispute with Venezuela, Peru's with Ecuador, and Chile's with Argentina over the Beagle Channel could all he inflamed once again. If Argentina is seen to succeed in its trial of arms with Britain over the Falklands, there are widespread fears that others will take the cue.

Brazil's proudest foreign policy achievement of recent years is that it has, one by one, peacefully resolved virtually all its own border disputes. "Wa even gave up our claim to part of Guyana," a Brazilian diplomat pointed out in reference to the Venezuelao claim. The only remaining, minor problem, with Paraguay, will he settled later this year when the disputed area is flooded under the waters of the Ikaipu dam.

Privately Brazil's senior officials are furious with Argentina for having flaunted the peaceful resolution of disputes principle so blatantly. "What makes it worse is that they can't voice their feelings openly," a Western ambassador said, "because they don't want to destroy the rapprochement of the past two years."

After decades of undisguised rivalry and mutual dislike, President Joao Figueiredo has made considerable efforts to establish a good working relationship between the two countries. Torn between its new ties with Argentina and a good, uncomplicated relationship with Britain, Brazil is doing its best to offend neither party.

The crisis has forced on Brazil a long overdue evaluation of its traditional low profile in foreign policy. As the world's eighth largest economic power, Brazil has until now lived comfortably with its image abroad as "an economic giant but political dwarf," as West Germany used to be labelled.

The drawbacks of this passive role in world and regional affairs have been made all too apparent by the Falklands crisis when Brazil found itself caught off guard and unable to influence the drift towards all-out conflict. "This crisis can put in motion a whole chain of events," President Figueiredo told the visiting West German President, Herr Karl Carstens, a few days after Argentina invaded.

For Brazil and many other South American nations used to spending only a small proportion of Government funds on arms, the one certainty is that defence spending will soar. Brazil only spends $12.50 a year, per capita, on defence at the moment compared with the Pentagon's $800 a year.

Disillusionment over U.S. reliability at times of crisis has played a part in this decision. General Delio Jardim de Mattos, the Brazilian Aviation Minister, spoke earlier this month of U.S. "treachery." In consequence Brazil's generals are publicly stressing the need for greater self-reliance.

Admiral Maximiano Fonseca, the navy chief, has called for a doubling of current naval spending in a $15bn programme over the next 10 years. British and West German programmes to help modernise the Brazilian navy are certain to benefit.

Most worrying of all for the proponents of arms control is the impetus the Falklands crisis has given to those who say Brazil and Argentina should have the atomic bomb. Sr Leonel Brizola, a long-time Brazilian nationalist politician, has already called for Brazil to press ahead with the development of nuclear weapons as fast as possible.

Revolution celebration is subdued

By Jimmy Burns in Buenos Aires

ARGENTINA yesterday marked the 172nd anniversary of its "May Revolution"—in 1810 Argentina declared their independence from Imperial Spain after local forces had managed to beat off two attempts at occupation by British troops.

Just a few weeks ago, the occasion would have heen a joyous affair, but yesterday's "celebration" was subdued. The Junta announced a public holiday but tha only official function of any note was a solemn Te Deum in the Metropolitan Cathedral.

A crowd of not more than a few hundred turned up with their flags and stickers, clapped warmly, and shouted "Argentina, Argentina" as President Galtieri and the two other members of the Junta attended the service in May Square.

The crowd was generally less numerous and less excitable than previous rallies, although generally, it looked less solemn than the line of VIPs that preceded Argentina's top military leaders. Guests included the entire Cabinet, the U.S. Ambassador, and the robed patriarchs of the local Orthodox church.

It should have been a day to celebrate victory, but the curt warning statement from the Joint Chiefs of Staff was notable as much for what it said as for what it left unsaid.

The communiqué admitted that some 2,000 British troops had managed to establish a firm beachhead near San Carlos Bay and that the Task Force was managing to get through supplies and reinforcements.

It did not say that the Argentines had launched a successful counter-offensive or that they had the situation under control or, as occurred in 1807, that the British troops had been swept back into tha water.

With all this being communicated officially, the goings-on in the Plaza had an even more unreal quality about them than usual — as if the celebrants had chosen the wrong day. Old ladies handed out leaflets with the words "Malvinas recovered: look up, Argentina, the hours of humiliation are over. Signed: The National Organisation of Argentine Reservists."

A more humorous touch was offered by a flag-seller who found no buyers for his flags but was instead distributing cartoon post-cards like hot cakes: one showed a naked Mrs Thatcher riding towards the Falklands on a broomstick.

Out of the loudspeakers stationed strategically round the Plaza boomed the fire-and-brimstone sermon of the Cathedral Chaplain, Mgr Raul Omar Rosi. "A small portion of the world is scandalised," he was telling his eminent congregation, "on us for having dared to recover, at the price of our own blood, something which was ours, is ours and always will be ours, and which has to be defended."

Around the capital, life was like a Sunday—banks, schools, government offices and most shops remained firmly closed. Beneath the crisp autumn sun, holidayers gathered on park benches, some of them noting that names, if nothing else, had changed on the anniversary.

Plaza Britanica, site of the miniature Big Ben clock tower donated to Argentina by the British in 1914, was now Plaza Fuerza Aerea Argentina, as ordered by municipal decree. The decree states that the main change was in honour of "the brilliant action of the Argentine Air Force in its defence of national sovereignty."

East bloc reacts with caution

By Leslie Colitt in Berlin

EAST EUROPEAN Governments appear reluctant to follow the Soviet Union in a wholesale condemnation of Britain as the aggressor in the Falklands conflict. While the Soviet media stepped up its attacks after British forces landed on the Falklands, most East European countries have reported the conflict in a more balanced manner.

East Germany has been unusually reticent in its reporting. The Government news agency ADN has issued a daily military report, first from London and then from Buenos Aires, which appears in that order the following day on the front page of the main Communist newspaper, Neues Deutschland.

Unlike the Russians, the East Germans did not even use the word "Malvinas" in parenthesis after Falklands to conform with Argentina's claim. ADN, which normally echoes every Soviet attack on the West, has failed to do so with two recent attacks on Britain by Tass, the Soviet news agency and Pravda, the Soviet Party newspaper.

East Europeans in East Berlin believe East Germany's reluctance to comment directly on the conflict shows it does not wish to be seen in the eyes of its citizens as a bedfellow of the Argentine military regime.

The official Polish media have called the Falklands a left-over of colonial rule and have noted that Argentina was justified in invading the islands. But the bulk of Polish media coverage is factual and without commentary. Polish correspondents note that the authorities in Warsaw are immensely relieved that, for the time being, world attention is not focused on Poland.

The Czechoslovak Communist Party newspaper, Rude Pravo, has printed a reply to readers' queries about why the Socialist countries had failed to condemn Argentina's military dictatorship.

The newspaper said they were opposed to right-wing dictatorships, but one had to distinguish between a dictatorship within a country and the foreign policy of the Warsaw Pact countries.

Relatives' inquiries

The Ministry of Defence has released the following telephone numbers for use by relatives inquiring about casualties:

Navy: Plymouth 0752 (Plymouth) 666666, Chatham 0634 (Medway) 813771, Rosyth 0383 (Inverkeith) 412191, Faslane 0436 (Helensburgh) 71125, Portland 0305 (Portland) 821547, Portsmouth 0705 (Portsmouth) 755212.

Royal Marines: Portsmouth 0705 (Portsmouth) 756121, Plymouth 0752 (Plymouth) 666777.

RAF: 01 (London) 218 9000.

Army: 01-409 7639, 01-409 7647, 01-409 7372.

Aluminium a potential hazard in warships

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE OPPOSITION of official naval designers to use of aluminium in UK warships has been strongly reinforced by the loss of two Type-21 frigates in the Falklands conflict.

Since the last of these Amazon class vessels was commissioned in 1978, naval ships have not used aluminium for superstructures because of its low melting-point. The Type-21s were designed by private shipyards.

"Our policy is not to use aluminium for structural purposes," a Ministry of Defence official said. But even with a steel superstructure, he said, HMS Ardent and HMS Antelope would have been put out of action.

Eight Amazon class frigates were built—three by Vosper Thorneycroft and five by Yarrow, both now part of nationalised British Shipbuilders. The Type-22 successor ships have very little aluminium.

Naval designers at the MoD establishment in Bath were not in favour of putting light aluminium tops on the Type-21 frigates. Its use was dictated by the way in which its lightness allowed more weapons to be installed.

The other six Type-21s are the Amazon itself, the Active, Ambuscade, Arrow, Alacrity and Avenger. They were the first custom-built, gas-turbined frigates and the first UK warships designed by commercial companies for many years, according to Jane's Fighting Ships.

But aluminium is not the only potential hazard of modern warship construction. The use of gas turbines and special fuels, extensive electrical networks, and wide corridors for machinery access can also cause problems.

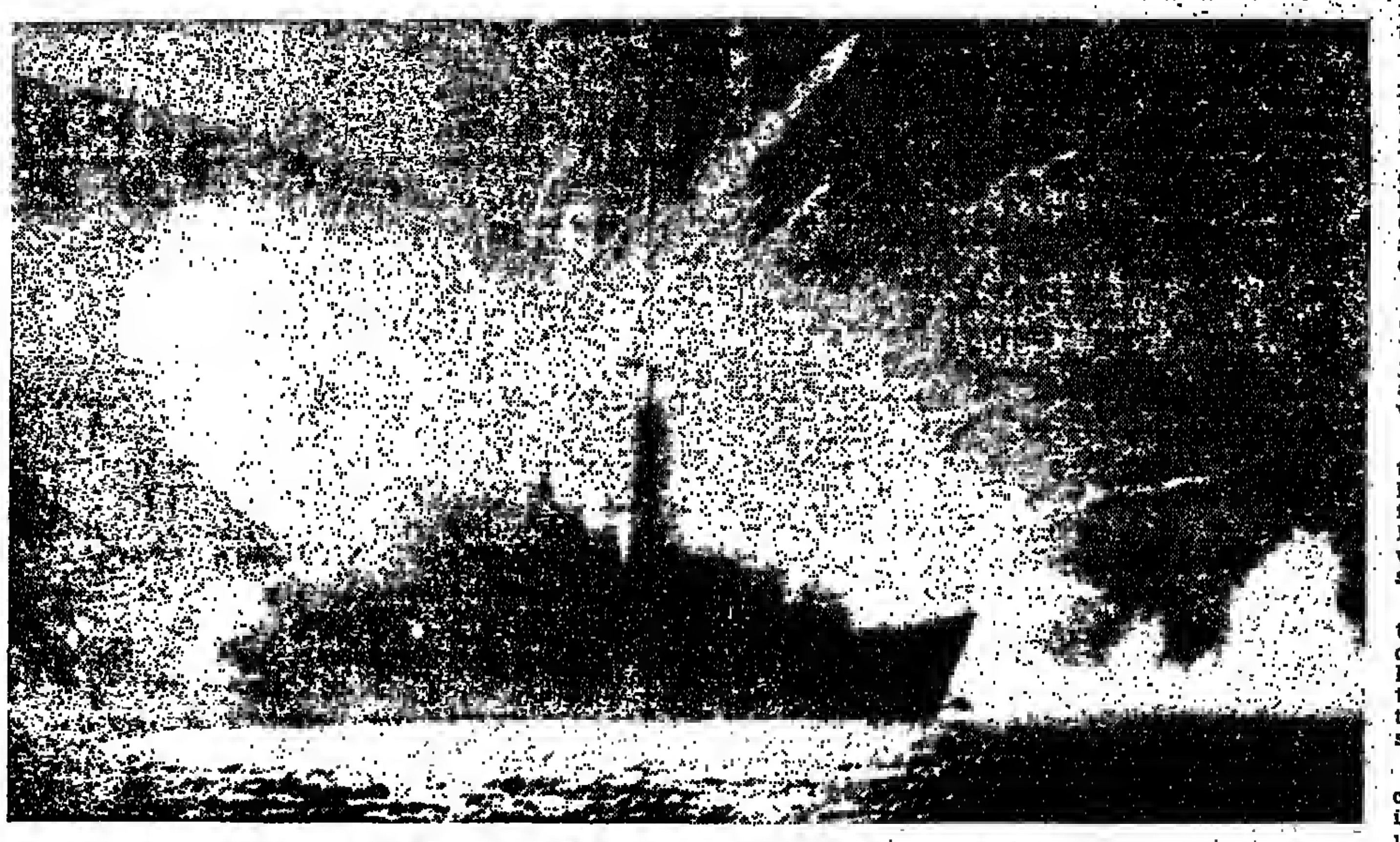
The new fuel has a lower flashpoint than that previously used and spillages can be more dangerous. The corridors—built wide for machinery replacement in order to save on repair time—can cause fires to spread more rapidly.

The MoD does not accept that wider gangways are a hazard, however, pointing out that they can make fire-fighting easier. But it does agree with the arguments on fuel.

Aluminium's melting point of 660 deg. C—much lower than steel—has been shown to be a danger in previous fires. In one incident in harbour a few years ago, the aluminium ladders melted, and made fire-fighting more difficult.

As part of the defence cuts, the government plans to close HMS Phoenix, the shore-based damage-control school at Portsmouth, and give sailors the same training at sea. Some outside experts feel the MoD might reconsider this.

The ferocity with which fires raged through the two frigates and HMS Sheffield, a destroyer with far less aluminium, shows the importance of fire-fighting training and techniques to the Navy, especially as many modern materials such as plastics are highly inflammable.



Last moments of the Antelope: The death of the frigate as men on other ships saw it when an attempt to defuse an unexploded bomb in the engine room ended in failure. Antelope was the third British warship sunk in the campaign. Six other vessels have been damaged.

S. Africa denies supply of spare parts to junta

BY J. D. F. JONES IN JOHANNESBURG

THE South African Government has belatedly denied that it is the source of any missiles or Mirage military aircraft spare parts supplied to Argentina.

General Magnus Malan, Minister of Defence, in a special statement in Parliament late on Monday, said that he would breach the Government's normal policy of not revealing details of arms shipments because South Africa was being drawn into the conflict as a result of Press reports.

"South Africa has not supplied or sold Argentina any missiles or any Mirage spare parts before or since the Falklands dispute," he said. He later added that no such supplies could have been passed to Argentina via intermediaries.

This is considered to be as firm a denial as could be possible following a day when the Government repeatedly tried to refuse comment on the original report in the Johannesburg newspaper, The Star.

It is known that South Africa has been one of the targets of recent British diplomacy seeking to ensure that Argentina's possible sources of armaments are blocked.

The Pretoria Government, which has never forgiven Britain for joining the international arms embargo against South Africa, appears to have been reluctant to comply without conditions.

The Press report—and The Star yesterday indicated its source to have been "diplomatic leaks"—has had the effect of forcing the South African Government to make this public and categorical denial.

Sea Kings vital role in defence of fleet

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MUCH OF the day-to-day burden of air defence cover, anti-submarine warfare, transport and communications in the Falklands combat zone is falling on the helicopters of the Task Force.

The number have not been disclosed, but it is believed that the Task Force now has between 50 and 100 helicopters of varying kinds—the big Sea King anti-submarine warfare aircraft, the Lynx anti-submarine aircraft mounted on the frigates and destroyers, Wessex assault helicopters with the assault ships Fearless and Intrepid, and tiny Gazelles for communications duties.

Many of these aircraft are "doubling up" for various duties. Sea Kings which are not immediately employed in defending the QE-2, Canberra, Invincible and Hermes against submarines are being used for transport of supplies and troops to the bridgehead. Wessex and Lynx helicopters are being used as gun-ships, as are the Gazelles.

It is the Sea Kings, however, which have the main task of defending the Task Force at sea against the small number of conventionally powered but potent Argentine submarines.

Without absolute security against submarine attack, the Task Force could not do its work—anti-submarine warfare is as vital as anti-aircraft defence—and the Sea Kings must keep up their role night and day.

Pilots of the Sea King squadrons are flying as much as 12 hours a day, in weather they could never have expected to encounter—50-60 ft waves and 100 knot wind gusts, as the bitter Antarctic winter draws on.

The Sea Kings have their own anti-submarine warfare detection devices, and their own torpedoes. When the record books come to be written, it is likely that the pilots of the Sea King force will be seen to have flown more in the past few weeks than they normally do in a full year at home.

The use of Wessex helicopters as gun-ships, to assist assault forces as they move ashore, and to help them consolidate afterwards, has long been part of the amphibious forces' training. They are now proving their worth over the beachhead at Port San Carlos.

The Ministry of Defence has admitted the loss of seven large helicopters and two small ones. The losses include five Sea Kings and two Wessex. The greatest loss of life occurred when a Sea King carrying 30 men crashed while transferring from ship to ship in bad weather in advance of the main assault on the Falklands on May 21. Nine men were rescued but 21 were lost.

Argentines 'half-starved'

PORT SAN CARLOS—Argentine soldiers who defended this settlement until British forces stormed ashore last Friday were courteous to the local families, but were half-starved, the islanders said, yesterday.

They said they used to give the *Argentines soup or bread* before the soldiers fled in the face of the British assault.

Astiz transferred to Britain

BY ANDREW WHITLEY

ALFREDO ASTIZ, the Argentine lieutenant-commander who Sweden and France want to interrogate about the suspected murder of their nationals, is on his way to Britain from Ascension Island.

He is being brought to Britain in defiance of Argentina's request channelled through the Brazilian embassy that he be sent home. All the other 183 Argentines captured on South Georgia on April 25 have been repatriated.

Argentina has formally rejected requests from Britain, on behalf of Sweden and France, that Commander Astiz be questioned over the death of a Swedish girl in 1977 and the disappearance of two French nuns at about the same time.

The Foreign Office in London said yesterday that Commander Astiz is refusing to answer questions on the grounds that he *should be treated as any other* prisoner of war under the terms of the Geneva Convention.

Baghdad admits to loss of Khorramshahr

BY JIM MUIR IN NICOSIA

IRAQ yesterday admitted that its forces had evacuated the Iranian port of Khorramshahr, just two days after the Iranians launched a direct attack on the city.

An Iraqi military spokesman announced that the withdrawal to the international border seven miles north-west of Khorramshahr began on Sunday, as did the Iranian attack, and was completed early yesterday.

Baghdad thus confirmed what Tehran already knew from television film screened the previous evening—that the biggest prize seized by the Iraqis at the outset of the Gulf war had been regained by Iranian forces after an occupation lasting 18 months.

The official Iranian news agency reported that hundreds of thousands of people thronged the streets of Tehran to celebrate the successful conclusion of the offensive launched on April 30 to drive the Iraqis out of all the ground they held in Iran's south-west oil province, Khuzestan.

The assumption is that the Iraqis have pulled out of the whole area around Khorramshahr. But the picture was confused when the Iraqis later announced that their forces north of Khorramshahr had counter-attacked the Iranians early yesterday, killing 2,700.

Since the Iranian forces entered Khorramshahr from the west, having completed the city's encirclement, these remaining Iraqi troops must presumably be cut off from their own border, unless they were staging a fighting withdrawal at the time.

The Iraqis put a brave face on their withdrawal, announcing that their main purpose in crossing the border in the first place was to inflict the maximum possible casualties and damage on Iran to prevent it carrying out hostile designs on Iraq. This aim had been achieved, the military statement said.

But the fall of Khorramshahr and the capture of thousands of Iraqi troops can only be seen as a disastrous collapse by the Iraqi army, involving a humiliation it will not forget quickly.

It took the Iraqis a month of heavy fighting and high casualties to take Khorramshahr in the first place. Its fall to the Iranians after less than two days under attack is therefore a massive psychological blow as well as a strategic disaster.

The Iranians, with their long-range artillery, will now be free to paralyse life in Iraq's vital southern oil-bearing region and its major port, Basra, just 12 miles from the border, even if they restrain themselves from crossing that frontier.

Now the real war begins, Page 25

Gulf states wait anxiously for Tehran's next move

BY JAMES DORSEY IN KUWAIT

THE GULF states will wait for Iran to signal how it intends to follow up the recapture of Khorramshahr from Iraq before deciding how to react to Tehran's apparent victory in the war, senior Kuwaiti officials indicated yesterday.

Gulf officials expressed concern, however, that Iran, despite recent pledges not to allow its troops to cross into Iraqi territory, might yet decide to push on towards Basra, near the border with Kuwait.

Foreign Ministers of the Gulf Co-operation Council states—Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman—will meet on May 30 in the Saudi capital, Riyadh, to discuss recent events on the Iran-Iraq battlefield.

Diplomats point out that Radio Tehran has escalated its propaganda assault on the Gulf states, particularly Kuwait, in recent days. Radio Tehran warned Kuwait in a broadcast on Monday that it was opening itself up to retaliation if it continued financial support to Iraq.

Some Kuwaiti officials expect Iran to try to wipe out remaining pockets of Iraqi resistance within Iranian territory before laying down conditions for an end to the war.

Israelis down 2 Syrian MiGs

By David Lennon in Tel Aviv

ISRAEL'S aircraft shot down two Syrian MiG fighters over Beirut yesterday, after the Syrians intercepted them on a reconnaissance over the Lebanon.

The Voice of Lebanon radio station reported that the battle began when Israeli aircraft were flying over the Syrian missile batteries in the Bekaa Valley, in eastern Lebanon.

A month ago, Israeli aircraft shot down two Syrian MiGs over the Lebanon when they tried to stop Israel air strikes against Palestinian camps.

The shooting-down of two more planes yesterday brings to 19 the number of Syrian aircraft destroyed by Israel since the 1974 separation of forces agreement which followed the 1973 Arab-Israel war.

An army official in Tel Aviv said yesterday that the Israeli aircraft had returned safely to base. Less than two weeks ago, tension rose in the region when Israel openly moved military reinforcements to the Lebanese border and placed the regular army on alert.

At the time, there were indications that Israel was planning to invade the Lebanon, to try to destroy the Palestinian forces there.

The alert was stepped down last week, after intensive U.S. pressure, but on Sunday, Gen Rafael Eitan, Chief of Staff, said he was "not sure" if the tension in the north had eased.

Nora Boustany adds from Beirut: The air battle coincided with reports that President Elias Sarkis of the Lebanon was planning a visit to the United Nations in New York.

Namibian budget

THE NAMIBIAN (South West African) budget, tabled in Windhoek yesterday, shows that the territory's administration is increasingly dependent on South Africa for finance, J. D. F. Jones reports from Johannesburg.

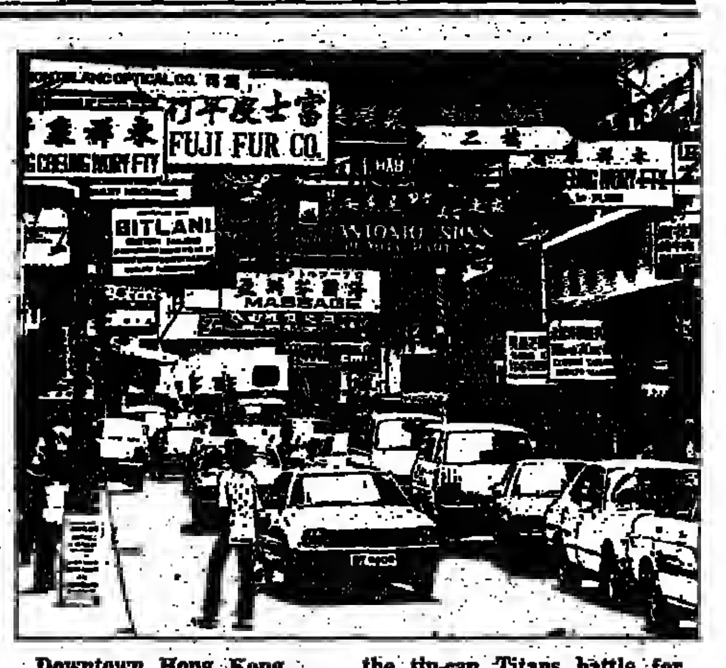
Mr Dirk Mudge, chairman of the Ministers' Council, disclosed that state income this financial year would be an estimated R660m—R54m less than 1981-82. Total state expenditure for 1982-83 would be R870m.

South Africa's financial contribution for 1982-83 would be R200m and R250m would come from the Southern African customs pool.

HONG KONG SOFT DRINKS MARKET

Clash of the tin can Titans

BY ROBERT COTTRELL IN HONG KONG



Downtown Hong Kong . . . the tin-can Titans battle for a HK$320m market.

THE RELATIVE merits of Coca-Cola and Pepsi-Cola are one of the great mysteries of life—some would say on a par with the purpose of Stonehenge and the joke which Mona Lisa heard shortly before she was painted. Yet, like a pair of Japanese Sumo wrestlers, the two brands lurch and tumble against one another in markets around the world in the struggle for soft-drink supremacy while laying the foundations of countless dentists' fortunes along the way.

Hong Kong is the latest venue for what Pepsi has styled "the battle of the giants." For Pepsi, it is not so much a case of "comin' alive" in Hong Kong as reincarnation. Its former franchisee, Amoy Canning, was taken over two years ago by new owners who decided not to hang on to the product. All to the good for Coca-Cola's local franchisee, Swire Bottlers, part of the Swire Pacific group—but Pepsi had not dropped out of the running.

In July last year, Pepsi began construction of a new bottling plant over the border in the Shenzhen Special Economic Zone, where China provides an attractive fiscal climate for companies to supply the Hong Kong market from a lower-cost base. Local Hong Kong backers were also found to establish a new distributor, Ardara, which came together last August with a veteran of the drinks trade, Mr Michael Morris, drafted in from Pepsi Singapore as general manager.

In February, the Shenzhen plant came into operation. Pepsi had sunk U.S.$5.5m (£3m) into its share of the project, a joint venture with a unit of the Chinese Light Industry group. One-fifth of production was to be sold in Shenzhen, the balance to come over the border to knock the fizz out of Coca-Cola.

Pepsico has the sort of jargonised corporate strategy which strives to leave nothing to chance. Its annual reports speak of "total snack programs" and "in-store traffic," leaving the impression that the most important ingredient in what you may be eating or drinking is somebody else's pocket calculator. For Hong Kong, something really special was planned by way of what Pepsi would no doubt have called enhancing product exposure and creating consumer awareness.

Pepsi was, in short, to be poured down Hong Kong's throat as much metaphorically as literally. A multi-million dollar advertising and marketing campaign was launched, including a television advertising technique known as "roadblocking"—similar to Britain's party political broadcasts, since it comprises taking out advertising space on all television channels—four in Hong Kong—simultaneously.

"Over 90 per cent of all Hong Kong residents," said Mr David A. Sherrington, vice-president of Pepsi-Cola International, "will see the television advertisement three times during the first week of the launch alone."

For good measure Pepsi also rented 100 lightbox displays at stations on Hong Kong's MTR metro system, which handles over 1m passengers each day.

Eight weeks into the Pepsi blitz Mr Jim Browne, Swire Bottlers director and general manager, is unmoved. "I'm not losing any sleep over it," he says, adding that Pepsi has two locally popular cola brands to overtake before it can think about dislodging Coke from the top spot. Mr Morris, for Pepsi, is, in turn, a model of quiet determination. The aim, he says, is "market leadership over time. We're being aggressive and realistic. We don't necessarily expect it in the next 12 months."

Mr Morris's distribution fleet comprises some 30 trucks and 150 employees, and indications are good enough for him to look forward to expansion, he says. On Coca-Cola's behalf Mr Browne points to the HK$200m (£19m+) being spent at Swire's Quary Bay plant—which even then will be the smaller of its two basea.

The Cola men may be bullish in the market place, but they are almost pathologically discreet about the mechanics of their trade. Secret syrup formulae are traditionally known to two or three men who travel on separate aeroplanes and never on helicopters, while market share figures are as closely guarded as Swiss bank account numbers.

Pepsi's Mr Morris says his sales push is on target, while declining to say what that target is, or even whether "market leadership" translates simply as a majority share of the Cola market.

What both sides do agree on is the rough size of the Hong Kong soft drinks market. It stood last year at just under 200m litres, of which roughly half was the Cola segment. That, in turn, translates as roughly three bottles of soft drinks per person per week.

The supermarket retail value of Hong Kong's cola market is then perhaps HK$400m. Allowing a retail mark-up of 25 per cent, it is for a lion's share of a HK$320m — and growing — market that the Titans of the tin can are battling. The test will come in August when as much as 15 per cent of the year's aales are aeen in a good summer.

ISRAEL'S ELECTRONICS INDUSTRY

'Brain power' key to exports success

BY DAVID LENNON IN TEL AVIV

LED LAGELY by exports, Israel's electronics industry notched up a remarkable 16 per cent growth in output last year, more than double the overall increase in industrial production of 7 per cent. Adding to the country's pride in this achievement is the fact that between 85 and 90 per cent of the exports of the Israeli electronics industry are based on locally developed know-how, rather imported expertise which is the traditional pattern in most small nations.

The past 15 years has seen the Israeli eelctronics industry develop from a supplier of military equipment to the armed forces into a sophisticated and diversified branch of the economy which exports half of its output.

Capitalising on "Jewish brain power," often described as the country's only natural resource, state, local and foreign investment has been able to create an industrial winner whose exports now comprise 7 per cent of all industrial sectors, excluding diamonds.

A notable feature of the industry is the high level of foreign investment. The country's largest electronics company and the second largest industrial enterprise in Israel, Tadiran, is partly owned by General Telephone and Electronics Inc of Stamford, Connecticut. A number of others, among them Motorola Israel, Vishay Israel and MG Electronics, are wholly owned by overseas investors.

Ironically, the turning point for the Israeli electronics industry was 1967 when the French embargoed military supplies. This led the Israeli Government to try to develop the domestic arms industry so as to lessen dependence on foreign suppliers, and reduce the danger from possible future arms embargoes.

The original impulse meant that the primary emphasis was on military equipment. However, as the needs of the Israeli armed forces became satisfied, many of the companies which had sprung up found that they had to diversify or perish.

During the past five years the product range has been diversified so that today only 70 per cent of the output of the industry is of a military character. Another 10 to 15 per cent is made up of communications items, with the remainder being items developed for medical, agricultural, and industrial uses.

The industry is highly concentrated. Just over 40 factories, about 15 per cent of all units, employ over 75 per cent of the workforce and yield some 80 per cent of its output.

But it is in the military sector that the broadest range of specialised equipment is produced. From electronic fences to keep out intruders, to highly sophisticated avionics for advanced aircraft like the F-15, the Israeli electronics industry has exceeded all original expectations in its ability to meet the precise demands of modern technology.

Export earnings by the electronics industry have grown from under $100m (£55.5m) in 1975 to over $300m last year, half of the average $600m annual output.

'China raises $8.78bn abroad in 1981'

HONG KONG — China raised and drew down $8.78bn in foreign funds in 1981, the Hong Kong based China economic news reported yesterday.

The weekly journal quoting official figures, said the amount comprised $2.46bn in medium and low interest government credits, $1.55bn in buyers' credits between the Bank of China and the U.S. Export-Import Bank and medium and short-term credits.

In addition, there was $2.08bn in direct investment under joint venture projects with foreign companies, $1.01bn drawn down by the China International Trust and Investment Corporation in loans from foreign countries and $1.69bn in foreign investment.

Reuter

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Chinese economic delegation prepares to visit UK

BY COLINA MACDOUGALL

A CHINESE economic delegation offering important potential for British and other EEC investment will visit Britain under the sponsorship of the British Longwall Mining Association for about two weeks at the end of June.

The group, from the China South-west Energy Resources United Development Corporation (CSERUDC), is touring Europe to seek co-operation in developing coal mines, rail links, power plant and port facilities in four provinces of south-west China. These are Guangdong, Guangxi, Yunnan and Guizhou.

The project has been under discussion in China for many months, and unlike the abortive projects proposed by China in 1978-79, shows signs of realistic deliberation. The main object of the current trip is to examine possible sources of financing, such as export credit, compensation trade and joint ventures.

The CSERUDC, unlike bodies which foreigners have previously negotiated with in China, spans four provinces and a range of industries. This is expected to make it more powerful and effective.

Stage I of the project, centred on the Liupanshui coal mines in Guizhou province, is designed to step up mine output from six to 10m tons annually — including an exportable surplus of 2m tons.

Electrification of the Guiyang-Zhanjiang railway — to handle 4m tons of coal yearly — and the improvement of Zhanjiang's port facilities to take more 35,000 ton ships, is included. Total investment required for this stage is estimated at about $310m (£172m).

This project is seen as particularly suitable for British companies since a high degree of technology exists in the four sectors. Britain, however, has joined the fray at a late stage as the Chinese had assumed UK companies had recently cooled their interest.

Stage II of the project, scheduled to run from 1986 to the end of the century, will involve development of coal mines and other resources such as copper, phosphates and tin. In addition, it will include four new power plants, a rail link from Guiyang to Nanning and a new port facility to handle bulk export of coal.

The amount of foreign investment required for Stage II is estimated by the Chinese at $5bn.

Danes to assist with heating scheme

By Hilary Barnes in Copenhagen

A DANISH group has signed a preliminary agreement with the city of Tientsin, China, to assist with the introduction of a geothermal-based district heating system.

It is expected that an agreement will be signed in the autumn during a visit to China by Mr Poul Nielson, the Danish Energy Minister.

The city has a population of about 8m, but it is not clear so far how big the project will be. It could be limited to a pilot scheme, but it could cost $500 (£277m).

The Danish Board of District Heating will supply project planning know-how and equipment to enable the Chinese to set up their own equipment manufacturing operations, said Mr Barry Chance, vice-president of the Danish Association.

The Danes are also expecting to win substantial contracts in connection with a $300m district heating project in Seoul, South Korea, where several Danish companies have already entered into joint venture deals with major Korean companies.

Rift between EEC and U.S. may widen

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

WEST EUROPEAN companies with trading interests in the Soviet Union and Eastern Europe will probably have to contend with an unstable environment for the next few years. And fundamental policy differences between the EEC and the U.S. over the wisdom of trade with the East could spill over into other areas, increasing existing transatlantic tensions.

The immediate issue is the response to the imposition, last December, of martial law in Poland. This prompted the U.S. to announce a hastily-wrapped package of unilateral sanctions which, subsequent events showed, it had no clear idea of how to execute in the face of West European reservations.

According to a study* by Mr Stephen Woolcock, published today, "short of a return to the path of liberal reform, the events in Poland are likely to lead to a more restrictive approach to East-West trade in the U.S."

If liberal reform in the Communist countries is suppressed, what remains of the political rationale for the trade is undermined, Mr Woolcock suggests. Further, the U.S. itself has never been heavily engaged in East-West trade.

One reason for this light engagement is of course the fact that, apart from the years of detente during the late 1960s and early 1970s, U.S. companies have tended to shy away from an area in which successive Administrations have tended to act with economic means to secure political objectives.

The grain trade is rather different from manufactured products or capital goods. The latter have to be sold. But Soviet grain demand ebbs and flows according to the success of the harvest. Given U.S. power as a major grain producer, it has to some extent a captive market.

Mr Woolcock thinks that another round of sanctions is likely "to result in a further reduction in the relative level of East-West trade"—for several reasons.

The Soviet Union and East European countries will avoid dependence on U.S. suppliers. U.S. companies will think twice about investing effort in Comecon markets when there is a risk of export controls. And West European contractors will tend to avoid reliance on U.S. plant or technology for fear that re-export controls will be imposed.

To some extent this process has already started. The relative success of the Soviet Union in finding alternative sources of grain following the U.S. grain embargo imposed after the invasion of Afghanistan is one reason why a current of opinion is developing the U.S. against the use of economic measures for political means.

Further, the Soviet authorities' tactics in granting contracts for the Siberia-West Europe pipeline — the Urengoi pipeline, now the subject of controversy—show a reluctance to entrust construction just to one turnkey contractor. The negotiations last year showed th Soviet desire to diversify as much as possible.

Mr Woolcock considers that "security interests may again become the dominant influence on U.S. policy-making, as they were up to the late 1960s. This would imply that economic relations with the East would be viewed as an extension of U.S.-Soviet military competition."

The statements of senior officials like Mr Caspar Weinberger, the Secretary of Defence, would tend to bear this out. The latest U.S. plans for a quota to be placed on Western credits to the Soviet Union is the latest manifestation of this policy.

It is at this point that the potential for discord between the U.S. and Western Europe becomes the most marked, both at the general policy level and at the practical trading level.

"On issues of military security, the U.S.'s leadership role in the alliance generally goes unquestioned; on East-West trade issues there is no clear leader," writes Mr Woolcock. The U.S. would like to assume leadership, but cannot without European support.

"If Europe fails to respond because it feels U.S. policy proposals to be detrimental to its interests, the U.S. may seek to exercise leverage over the Europeans."

The unilateral imposition of U.S. sanctions following the imposition of martial law in Poland, carrying with it the claim to prevent the re-export to the Urengoi pipeline of General Electric turbine parts, already in the UK, West Germany and Italy, at the plants of John Brown, AEG-Kanis and Nuovo Pigone, could be part of that process.

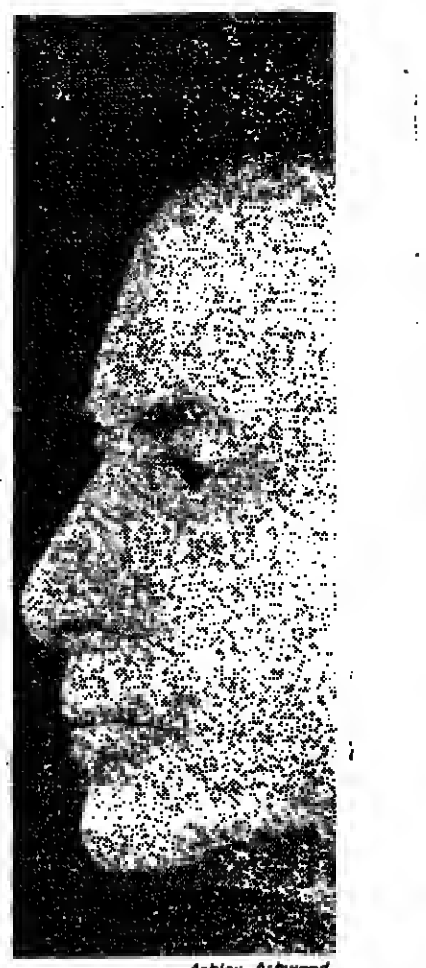
But this U.S. claim attracted vigorous resistance, not least on the basic issue of sovereignty. European nations question the right of the U.S. to extend its jurisdiction to companies incorporated outside its borders.

In other words, the East-West trade issue has already spread into other areas of contention. Indeed, stiffer U.S. policies on East-West trade are emerging when the bag of U.S.-EEC trade disputes is already overflowing.

The Versailles seven-nation economic summit next month will show to what extent the U.S. is prepared to link all the issues.

Ironically, as debates within the Western alliance gather intensity East-West trade is slowing down in any case. Mr Woolcock notes that West European dependence on East-West trade—and it was never a great proportion of the total—declined in 1979 and 1980.

* Western Policies on East-West Trade, by Stephen Woolcock; Routledge and Kegan Paul for the Royal Institute of International Affairs, London.



Ashley Ashwood

Caspar Weinberger

Hong Kong, EEC still 'far apart' on textiles

BY ROBERT COTTRELL IN HONG KONG

HONG KONG and the EEC begin their bilateral talks in Brussels next week on the level of trade in textile goods from apparently irreconcilable standpoints.

The two sides "are as far apart on textiles as Kowloon and Brussels—travelling the long way round," according to Mr Lawrence Mills, Hong Kong's trade commissioner yesterday.

He warned the Community that it was wrong to get the impression that the colony had agreed, at the Multi-Fibre Arrangement discussions in Geneva last December, to reductions in the level of its trade.

"Hong Kong repeatedly stressed during the renegotiations of the MFA last year that it could not accept cutbacks and this was made absolutely clear to the EEC at the time," he stated.

The EEC negotiators, said Mr Mills, have a mandate to obtain a 10 per cent reduction in Hong Kong's quotas. Hong Kong, he said, had made it "absolutely clear" that it would not tolerate reduction.

Not only was Hong Kong concerned about its EEC market, but other countries might demand similar concessions if the demand for cuts proved successful.

Hong Kong's exports of textiles and garments were worth HK$33.6bn (£3.3bn) last year, or 42 per cent of its overseas sales. Its largest markets are in the U.S. and the EEC.

Hong Kong recently concluded its bilateral negotiations with the U.S., whereby the growth rate on restraint limits for 24 sensitive categories was cut from an average 3.6 per cent to slightly under 1 per cent.

The current EEC deal expires at the end of this year and the EEC would like to conclude a similar arrangement with the colony.

The EEC views the negotiations with Hong Kong so seriously that it has set aside some three weeks for them. Many of the other discussions are completed in a matter of days.

Brazilian rail contract awarded

By Terry Dodsworth in Paris

CGEE Alsthom do Brasil, part of the French-owned CGEE Alsthom group, has won a FFr 900m (£86.5m) order from Brazil for the extension and modernisation of suburban railway lines in Sao Paulo and Rio de Janeiro.

The agreement assigns work on the project to a consortium of French companies and their Brazilian subsidiaries led by CGEE Alsthom, a subsidiary of Alsthom-Atlantique, which is owned by the recently-nationalised CGE electrical company.

Other participating companies include Spie Batignolles and Jeumont-Schneider, both part of the Empain-Schneider engineering concern.

The rail deal comes only a month after France agreed to advance FFr 2bn of new export credits to Brazil. This financing covers a wide range of projects, including the railway lines, along with two hydro-electric power stations in which CGEE is also involved, hospital equipment and chemical freight ships.

Semiconductor order in U.S. is worth £18.3m

By Louise Kehoe

INTEL, the California-based semiconductor chip manufacturer, has placed a $33m (£18.3m) order for production equipment with Ultratech, a division of General Signal.

The order is believed to be the largest equipment purchase recorded in the industry, and comes at a time when the chip maker is optimistically gearing up for an upturn in business following a year of severely reduced profits.

Intel is buying 100 "wafer steppers"—machines used to paint minute circuit patterns on to silicon wafers. The company's choice of the Ultratech system gives a major boost to that section of the industry and is a blow to GCA which has formerly led the field with its version of the wafer stepper.

Intel will use the new machines to implement its advanced HMOS III production process—the acknowledged leader in semiconductor production processes.

General Dynamics ready to seal Israeli contracts

BY DAVID LENNON IN TEL AVIV

THE U.S. jet fighter manufacturer, General Dynamics, is concluding contracts with Israeli companies for the purchase of $300m (£166m) worth of aviation equipment.

General Dynamics representatives are in Israel to select the items to be purchased within the framework of the buy-back agreement between the company and the Israeli Government, which was signed when Israel purchased the U.S. company's F-16 fighter.

The buy-back agreements cover three years, and most Israeli companies involved in the production of aviation and avionics equipment are included in the U.S. orders.

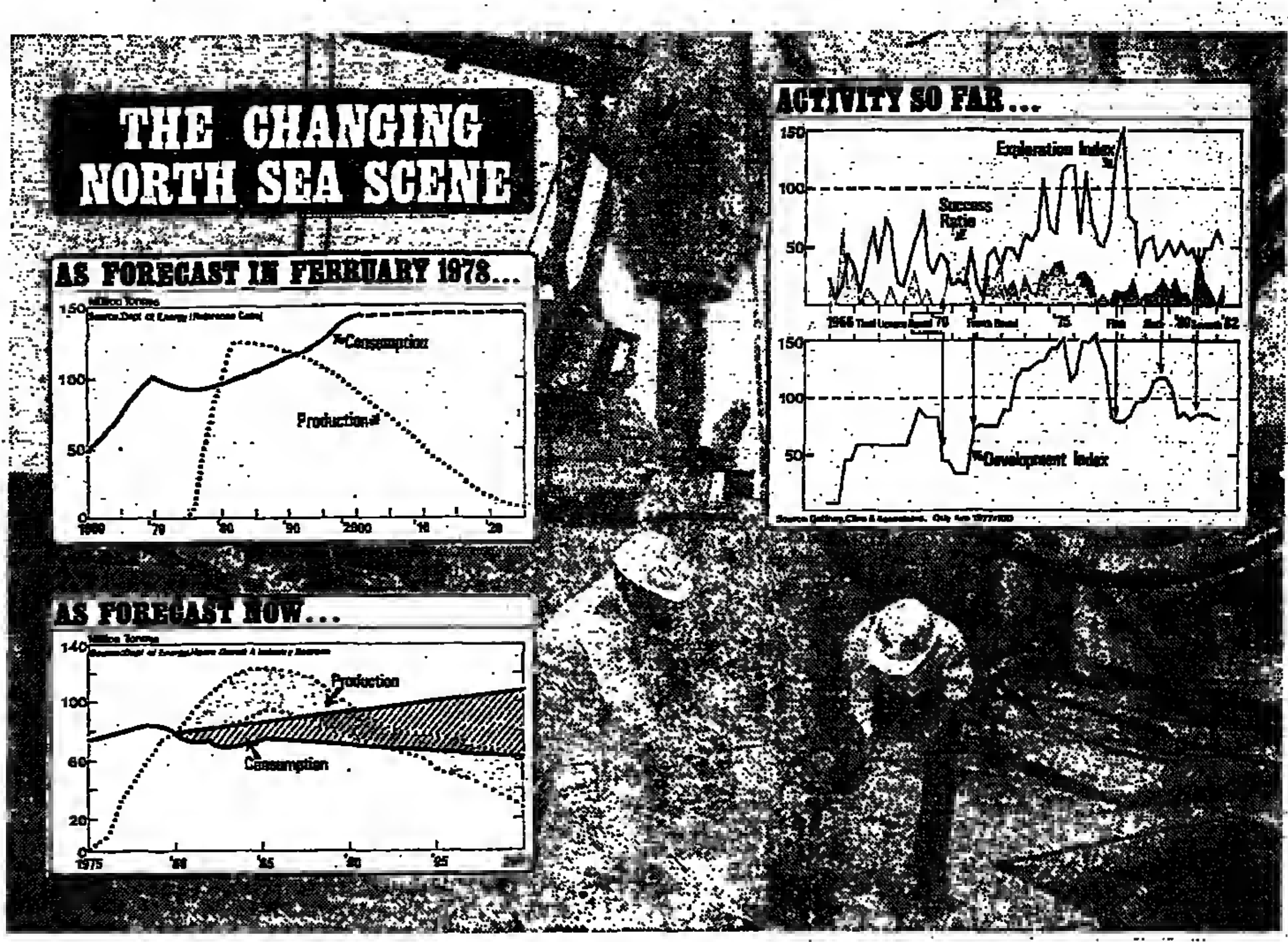
Among the Israeli companies expected to sign supply contracts with General Dynamics are Israel Aircraft Industries, Elron, Cyclone, AEL and TAT.

The orders from the U.S. company will prove a major boost to the Israeli companies, which had feared there would be severe restrictions on output in the next few years because of delays in the developments of the Israel Lavie warplane.

The major problem which big U.S. purchasers encounter on the Israeli market is the small scale of production, which makes it difficult for many Israeli companies to supply the U.S. customers with goods in the quantities and at the speed required.

Clearer picture for North Sea operators

By Ray Dafter, Energy Editor



Graham Lever

THE PAST ten days could mark a turning point in the development of North Sea oil and gas reserves. At least offshore operators have been given a new sense of direction.

For the first time in a decade the Government is to auction potential oil-producing blocks and offer a substantial number of licences in the gas-bearing southern sector of the North Sea. The new eighth round of licences unveiled on Monday of last week also opens up unexplored frontier areas, some of them in very deep water, in a move which should provide much more information about the amount of oil and gas lying off the UK's shores.

The Energy Department seems to have ruled out the notion of introducing depletion measures to control the future rate of oil production. Mr Hamish Gray, Minister of State for Energy, told members of the Institute of Petroleum last Wednesday that uncertainties about future levels of production and demand made it impossible to devise a detailed depletion blueprint. The Government wanted to prolong high levels of oil production to the end of the century, he said—a clear and welcomed invitation to the industry to "carry on producing."

Sandwiched between these announcements was perhaps the most significant development of all. The oil industry at last received some concerted parliamentary support—in the form of the all-party Energy Select Committee—for its campaign against the present North Sea tax structure. The Conservative-led committee reported that the "complex and cumbersome" tax system was endangering future exploration and production. It was in need of a thorough overhaul.

All this has restored colour to the cheeks of offshore operators. For months they have appeared listless, constantly complaining that high taxes and general uncertainties were draining them of cash and incentives to invest in exploration and production. Their minds have wandered to warmer climes, to the drilling areas of China, South America, South-East Asia, and West Africa.

The industry's complaints have fallen largely on deaf ears within the Government. Treasury and Energy Ministers, growing tired of industry moans, take the view that oil companies are really more worried about lowered price projections than taxation.

Their repeated line is that the Government has a duty to strike a balance between the revenue needs of the nation and investment incentives for the offshore industry. The Treasury will not willingly release its grip on a source of revenue which, in the 1981/82 financial year, yielded £6.4bn, a 65 per cent increase on the previous 12 months. But at the same time it cannot overlook the fact that the offshore industry provides a good deal of light in the present economic gloom; its capital spending programme of £2.8bn last year represented one-fifth of total UK industrial investment.

Sir Geoffrey Howe, Chancellor of the Exchequer, said recently that taxation was not making North Sea development unattractive, especially in view of the March Budget proposals which would lead to the abolition of the much-criticised Supplementary Petroleum Duty and a slight reduction in the top rate of oil taxation—from 90.3 per cent to 89.5 per cent.

The Chancellor is now coming under fresh industry pressure to make last-minute changes in the Finance Bill, now going through Parliament, and to consider more fundamental tax changes in the next Budget. Today a top level delegation from the UK Offshore Operators Association will tell Sir Geoffrey that tax changes must be made if future exploration and developments are not to be damaged. The pleas are familiar.

The Energy Select Committee was convinced that the industry did now have a real cause for complaint. "I think the committee can differentiate between a hoarse whisper and a strangulated scream," commented Mr Ian Lloyd (Con, Havant and Waterloo), the committee's chairman.

"How far you burden the tax base is a fundamental judgment," he went on. "If we have not passed the point of real danger then we are very close indeed."

The danger, in this case, is a decline in offshore investment. The committee concluded that the tax system, at its current level, complexity and frequency of change, had passed the point at which its impact on development projects could be regarded as "broadly neutral." By discouraging new development, the Government ran the risk of lower production and tax revenue in the longer term.

The warning signals are already flashing. The pace of exploration drilling may have picked up slightly since the slump of 1978-80. But the number of exploration wells completed in the first quarter of this year (ten) was only one-third of the peak in 1977 and 55 per cent of the average for that year as a whole.

Petroleum consultants Gaffney Cline and Associates have also just reported that the amount of oil reserves under development at the end of March was about half the amount being exploited at the peak of activity in 1976.

It would be unreasonable to expect the phenomenal growth of the 1970s to continue.

But the rapid rate of decline in development activity is now causing considerable concern within the oil industry and the Energy Department, not only for its implications for the rate of future oil production but also for its impact on the offshore supply industry. Over 2,000 employees in the platform-building sector are known to be facing redundancy as a result of the slump in orders.

Only six fields are now under development and their reserves are comparatively modest when set against some of the 20 fields already in production. (The combined reserves of the six are a good deal less than the 2bn barrels of recoverable reserves originally contained in British Petroleum's Forties Field.) And it is now almost two years since an offshore operator applied for—and received—government approval for a new oil development project.

At least three development candidates have been shelved: Shell/Esso's Tern Field; British Petroleum's Andrew discovery; and Phillips Petroleum's complex of fields in the so-called T Block. These three projects would have required a combined investment of over £3.5bn.

The reasons given for their postponement have been identical. Companies say they are worried about the uncertainty of future oil prices, high taxation and the geological characteristics of their fields. Trying to sort out which of these concerns is the main reason for holding up development is somewhat akin to playing poker. The companies give few clues.

On balance it seems that falling prices have had the most damaging impact. With North Sea contract rates this year having fallen from $39.25 a barrel to $31 a barrel, companies have been forced to abandon their previous aspirations that prices—in real terms—could rise beyond $40 or even $50 this decade.

Consequently, a tax system which could have been tolerated and justified under last year's pricing assumptions — even though oil companies were squealing—has now become unbearable in certain cases. And it is the smaller, economically marginal fields that have been hardest hit.

If anything, the Chancellor's Budget changes have made matters worse for some of these small fields, according to the industry. Companies contemplating the development of the more attractive small 50m-barrel field earlier this year might have reckoned on a discounted cash flow rate of return of between 17 and 18 per cent. Following the Budget, it is claimed, the expectation has fallen to 15-16 per cent—an inadequate reward for a high-risk venture, say the companies.

And yet it will be such small fields that will have to contribute the bulk of the UK's offshore oil supplies in the coming years. According to the UK Offshore Operators Association, 74 fields have been identified in the North Sea. The first 26 of these, now producing or under development, have average recoverable oil reserves of over 400m barrels. The next 11 potentially commercial fields contain an average 100m barrels of recoverable oil while a further 37 "marginal" discoveries contain on average only 60m barrels.

The Association claims that only two or three of the potentially commercial fields can now be considered as likely candidates for development. None of the 37 "marginal" finds were likely to be exploited under the current tax system.

But the picture is not wholly bleak. It should not be many more months before the Energy Department receives development applications for at least two fields: British National Oil Corporation's Clyde discovery and Total's North Alwyn Field. Companies are also devising new and more cost-effective ways of exploiting small discoveries.

And there would now appear to be less urgency for new fields to be exploited immediately, given the revised estimates of future oil demand. A little over four years ago the Energy Department was working on the assumption that UK oil demand could now be running at about 100m tonnes a year (2m barrels a day) and might rise to over 120m tonnes annually by the turn of the century.

The recession, conservation and fuel substitution have transformed that picture to the extent that demand is now running at about 75m tonnes a year and is unlikely to grow very much—if at all—over the next 20 years.

The production picture is also changing. As a result of development delays and unexpected reservoir problems the sharp peak of output once expected for the early 1980s has been changed to a gentle hump.

One factor remains constant. The UK still looks like returning to its former position as a net oil importer by the mid-1990s—quite possibly sooner—unless the offshore industry finds and develops many more fields in the coming years.

The eighth round of drilling licences announced last week will help. The Government may regard the offer of at least 85 new exploration concessions as an acid test of the industry's true commitment to the North Sea.

Government signals that no new restrictive depletion measures are to be introduced will also reduce some of the uncertainties. But at the end of the day the pace of future development will be set largely by pricing considerations and taxation.

Somewhat surprisingly, one of the most vociferous critics of the present tax package is the state-owned British National Oil Corporation. Mr Malcolm Ford, director in charge of the Corporation's exploration and production activities, commented at the weekend: "Everyone must realise that the North Sea scene has changed. We knew the next batch of fields would be smaller, harder to find and more difficult to develop. What has surprised us has been the unexpected change in oil prices."

Poor growth predicted for UK gas demand

BY RAY DAFTER

THE GAS industry is facing a dramatic turnabout in its growth prospects and above-average price rises for its supplies, according to Mr Robert Evans, president of the Institution of Gas Engineers.

Mr Evans, chairman of the East Midlands region of British Gas, said in his presidential address yesterday that UK gas demand was likely to grow at only 0.5 per cent a year to the turn of the century. This would compare with a growth rate of 7.8 per cent a year for most of the 1970s.

Mr Evans, speaking in London, said that by the 1990s UK gas demand could be static, or even in decline. He gave several reasons for this forecast:

- Economic growth for the rest of the century, at about 2 to 3 per cent annually, was likely to be slower in the UK than in the world as a whole.
- The gas industry's share of the central heating market was already approaching saturation. Growth prospects would also be reduced as a result of a movement to smaller households and single-person dwellings.
- Energy conservation measures would have an impact. By the mid-1990s, a quarter of the housing stock would be low-energy homes.
- The industrial market was also undergoing a structural change with the closure of old, inefficient plants and a concentration on less energy-intensive light manufacturing and high technology industries.

Mr Evans said the price of natural gas supplies was likely to increase faster than the general rate of inflation. At present, supplies of gas accounted for about one-third of the British Gas Corporation's total costs.

Midland to offer interest-bearing current account

BY PAUL TAYLOR

THE MIDLAND BANK is set to offer a hybrid interest-bearing current account, as an alternative to traditional cheque accounts, to its 4.5m personal customers.

The announcement, expected soon, will reflect the growing competition between the retail banks and the building societies for personal savings, and the mounting pressure on the High Street banks to pay interest on current accounts.

Details of the Midland scheme have yet to be finalised, but it is understood that the bank is examining a range of specific proposals for accounts which would provide cheque book facilities and pay interest, probably on a quarterly basis. One possibility is that the Midland would extend its existing "Save and Borrow" revolving credit account by introducing a cheque book facility.

This month the bank introduced its "Readicash" pilot scheme in six cities, aimed at customers "who prefer to deal in cash rather than cheques."

The scheme, which the bank claims to be successful, allows customers to withdraw cash through a plastic card at any of the bank's 540 cash dispensers. Customers can pay as much money as they like into the account and interest is paid quarterly at 1 per cent less than the bank's seven-day deposit rate.

The Royal Bank of Scotland offers a similar account, involving a plastic card and called "Cashline" deposit account, which pays interest. More than 290,000 cards are in circulation and customers draw about £3m a day through Cashline machines.

The other main banks are also examining the possibility of providing other forms of interest-bearing accounts. Barclays, NatWest and Williams and Glyn's are understood to be considering plastic-card schemes, while Lloyds already operates its "Cashflow" account which, although initially devised as a revolving credit account, is being used by some customers as a current account which pays interest.

The pressure on the big banks to come up with interest-bearing current accounts has been intensified by the Co-operative Bank's decision to start its own interest-bearing cheque book account and to provide cheque-handling facilities for an Abbey National cheque book account.

However, these moves have also highlighted confusion over charges on these accounts and the Inland Revenue about on the basis which interest may be paid.

The Co-op overcame the problem by producing a hybrid current account under which a £1.00 standard monthly deduction, irrespective of the number of transactions, is made before the notional interest is credited to the customer's account.

The main banks have been meeting the Inland Revenue to clarify the position and are pressing the Government to allow banks to be put on the same basis as the building societies as regards payment of interest net of tax.

New CBI president plans to speak out for enterprise

John Elliott outlines the problems facing Sir Campbell Fraser

THE FIRST president of the Confederation of British Industry to have spent a considerable part of his career as a broadcaster and a public relations manager takes office today.

He is Sir Campbell Fraser, 59, a former presenter of BBC Radio's Woman's Hour and now executive chairman of Dunlop Holdings, a company he joined as a public relations officer in 1957.

A proud Scot and powerful speaker, Sir Campbell says his main task during his two years' presidency will be to "speak out vigorously for enterprise in both the public and private sectors of the economy."

He takes over the presidency from Sir Ray Pennock, executive chairman of BICC, at a time when the CBI's relations with the Government have stabilised following the difficult period 18 months ago when CBI members loudly attacked their leaders for criticising the Government's economic policies.

"We have now got the Government to understand the realities of industry without being so loud as our more vociferous members might want," says Sir Ray.

Sir Campbell may sometimes find himself out of line with the CBI's right wing and, with staunch supporters of the Conservatives.

He sees little sign of any general upturn in the economy and two months ago said the "light at the end of the tunnel" being talked about by ministers looked like an "anaemic glow-worm." Now he says the "glow-worm may be glowing more strongly," but adds that the only real improvement is the "growing confidence of business managers."

He is not totally convinced about the usefulness of the law in improving industrial relations, and he sees a need for positive Government industrial policies.

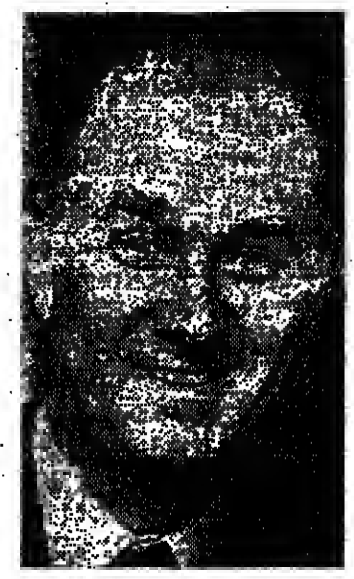
Like his predecessor, Sir Campbell is a sincere believer in the need for greater employee participation. "Sir Ray has in my opinion successfully drawn the attention of CBI members to the fact that employee participation is not something you leave to someone else, unless you want the law eventually to come in and do it for you," he says.

How free Sir Campbell will feel to air his own views on political matters remains to be seen. Sir Ray—who was deputy chairman of ICI before he became chairman of BICC—took office in 1980 with the reputation of being a liberal, wanting to build bridges with the TUC.

But he was also critical of the behaviour of trade unions and he realised that the CBI could not be used by the TUC to build joint criticism of the Government. Accordingly, he is regarded as a rabid right-winger by one or two top union leaders.

He has even been criticised by some of his own members during the past two years for getting too close to Mrs Thatcher and for not attacking her more openly about the effect of the Government's economic policies on industry.

Sir Raymond Pennock



Sir Campbell Fraser

Sir Ray reflected on this problem in his speech at the CBI's annual dinner on Monday night. He said he had been warned by the late Sir John Methven, then CBI director general, that "holding presidential office under a Tory Government would be much more testing than under Labour, much more searching, and much more vulnerable."

There would be "more prospective pitfalls than under a government of any other party because of the perpetual paradox that we must continually press government to recognise the priorities of industry among all its other pressures."

Sir John had added: "Because the vast majority of our members support it, we must strive consciously and sensitively to avoid any semblance of undermining the Government in the process."

Sir Ray said: "Despite the minefields, ambushes and booby traps which events seem to have created for us, I have survived." He thinks, rightly, that the CBI is now in a position where it can criticise the Government on specific issues without appearing to be undermining its basic policies.

Sir Campbell may have an easier run because of the lessons learned by Sir Ray and Sir Terence Beckett, the director general. The Government also showed in the Budget (and by the earlier replacement of Sir Keith Joseph by Mr Patrick Jenkin as Industry Secretary), that it wants to help industry. That help is likely to increase as the next general election approaches.

Sir Campbell was born in Dunblane and was educated at Glasgow University and the Dundee School of Economics. In 1952 he joined the staff of the Economist Intelligence Unit and also started a 10-year freelance career as a BBC broadcaster.

He worked on public relations and marketing for Dunlop from 1957 to 1962, then joined the overseas division. In 1967, he was given his first industrial line management job when he was appointed managing director of Dunlop in New Zealand.

His performance there in the him out for rapid promotion to be a UK executive director in 1969, managing director in 1972, and executive chairman in 1978.

He is also chairman of Scottish together with the future of the Television and a non-executive director of British Petroleum, BAT Industries and the Charterhouse Group.

While in charge at Dunlop, he has overseen the break-up of the union with Pirelli and has fought off takeover moves in the Far East, while the company's UK labour force has virtually been halved to 26,000 in the past five years.

In 1977, he surprised observers by picking Mr Alan Lord, then second permanent secretary at the Treasury, as his potential successor. Mr Lord is now Dunlop's chief executive officer and will carry a bigger load during the next two years while Sir Campbell spends at least half his time on CBI business.

He has been chairman of the CBI's economic situation committee, which oversees the regular industrial trends surveys. He was the founder-chairman of the industrial policy committee, which has argued for increased Government spending on industry. It has also called for tougher EEC policies against the Japanese—an issue the CBI council debates today.

Sir Campbell takes over at a time when the CBI is starting again on its campaign for lower interest rates and for other cuts in business costs. These issues, togethre with the future of the recession and the problems of Japanese competition, are likely to dominate much of his presidency, as they did Sir Ray's.

London's tourist board launches action plan

BY JAMES McDONALD

MORE EHOULD be spent on London's tonrism and tourist information facilities, to reverse the decline in recent years in the number of overseas visitor and in the amonnt in real terms they have spent there, Mrs Mary Baker, London Tourist Board chairwoman, said yesterday.

Launching the Board's Action Plan for London tourism, Mrs Baker said the Board needed more funds for selective tourism promotion. It spent about £1.25m a year.

Mr Peter Stevens, the Board's new director, said another £500,000 was needed, in cash, facilities or premises. Plans envisaged improved facilities at Victoria, a centre near Piccadilly and, in partnership with the English Tourist Board, computerisation of hotel reservations and vacancies which could eventually become a national service.

He said talks on these projects were taking place with the English Tourist Board and the Greater London Council.

Mrs Baker said London local authorities spent less per head of population on the tourist industry than did Bath, York or Birmingham, though tourist spending in London last year was nearly £2.2bn, of which £1.7bn came from overseas visitors, an amount exceeded only by the City of London's financial sector earnings.

Last year local authority spending on tourism promotion, per thousand head of population, was £45 in London, £117 in Birmingham, £1,109 in York and £2,546 in Bath. Yet London's share of overseas visitors' UK spending was 57.8 per cent in 1980.

In terms of 1981 prices spending by overseas visitors in London dropped from a peak of £2.3bn in 1977 to £1.7bn in 1981, the Board estimates. Nights spent in London by overseas visitors fell from 60.7m in 1978 to 52.6m last year.

The Action Plan seeks commitment to an economic-impact study to assess benefits and costs of tourism in London, improvements in service by better recruitment and training and a reappraisal of accommodation requirements, especially of low-cost facilities.

Pressure should be maintained to clear London of illegal street traders, there should be better enforcement of hygiene rules by giving inspectors immediate-closure powers, and liquor licensing laws should be revised.

Tourism in Greater London—an assessment of current needs; *London Tourist Board, 26, Grosvenor Gardens, London, SW1.*

Coal grants plan postponed

BY MAURICE SAMUELSON

A GOVERNMENT announcement about soft EEC loans to enable British industry to switch to coal was cancelled at short notice yesterday to allow further technical discussions on how the cash will be administered.

Ministers are expected to confirm arrangements for loans of up to half the cost of converting plant to coal towards the end of June. Talks have been under way for more than a year.

The delay was a bitter disappointment to National Coal Board officials, who are today attending a major industrialists' conference at Peterborough to discuss the economics of switching plant from oil and gas.

The Government already provides grants covering up to 25 per cent of the cost of installing coal-fired plant, but many companies apparently find this insufficient incentive for a major investment.

Scheme to shorten Channel Tunnel construction time

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

THE PROPOSERS of a new approach to the construction of the Channel Tunnel claimed yesterday that their method could shorten the estimated six-year construction time by 30 to 50 per cent, making the whole enterprise more attractive financially.

The plan is to bore the tunnel not only from both sides of the Channel but also from one or more submerged caissons between the two coasts. This technique, still untested, draws substantially on expertise gained in the North Sea and other offshore works using submarine construction techniques.

The submerged caisson, which acts like a mining shaft, has the advantage of not impeding shipping, although it would require a vessel permanently positioned for servicing.

Using this method, construction costs of the sector would be about $100m (£55.4m) in addition to the other costs involved in boring the tunnel. This is equal to about 5 per cent over the estimated costs of the single-bore tunnel proposed by the two railways in Britain and France. It would be suitable for any of the tunnels proposed.

Mr Alfred E. Davidson, European representative of the proposers, Mid Channel Access Corporation (MCAC), claimed yesterday that the added expense would be more than offset by savings from faster construction. MCAC is a subsidiary of Technical Studies Inc, a U.S. company which in 1957 was one of the founding members of the Channel Tunnel Study Group.

The group's representatives say they have had discussions on the technical basis of the proposals in recent weeks with the transport departments in Britain and France. MCAC does not incorporate any construction companies at this point, but aims to invite tenders once the proposal is accepted. It would then act as contractor for that part of the construction involving offshore works.

Datsun UK gets new model at low price

By Kenneth Gooding, Motor Industry Correspondent

NISSAN OF Japan is charging its UK importer, Datsun UK, a lower price for a completely new version of the best-selling Sunny than for the previous version.

Mr Octav Botnar, chairman and founder of Datsun UK, gave no details of the extent of the reduction, but said the price cut indicated the continuing improvements in productivity in the Japanese motor industry.

Mr Botnar, an ardent supporter of the view that Nissan should be encouraged to set up a car plant in Britain, suggested that the company had a great deal to offer the UK in terms of production technology.

In spite of the reduction in the price to the importer, the UK list prices for the new Sunny range, introduced today are between 5 per cent and 11 per cent more than the prices of the old range.

The Sunny has been very important to Datsun UK. Registrations once ran at about 50,000 a year, but last year they fell back to about 5,000 and the Sunny was overtaken as the best-selling car in the Datsun UK stable, but also as the premier "traditional" imported car (as compared with the "captive" imports by Ford, BL and Vauxhall).

Over the past 13 years, Datsun UK has put more than 301,000 Sunny models on British roads, and believes the car could have done much better if it had not been for the voluntary restraint on shipments by the Japanese industry for the past six years.

The new Sunny, unlike its predecessors, is a front-wheel-drive car and is powered by Nissan's new E series engine.

The eight models in the range include a choice of saloon, coupé and estate bodies and a choice of two engines—a 1.3-litre, 60-brake-horsepower unit, and a 1.5-litre, 75-bhp version. Four-speed and five-speed and automatic gearboxes are available.

Datsun says the new engine and gearbox combination, light weight and good aerodynamics gives good economy. For the Sunny 1.5-litre, five-speed saloon, 53.3 miles per gallon is claimed at a constant 56 mph.

Prices for the new Sunny range start at £3,865 for the 1.3DX, two-door, four-speed version, and rise to £5,044 for the 1.5GL, estate automatic with metallic paint. Prices in the range it replaces ran from £3,668 to £4,485.

Meeting at De Lorean

By John Griffiths

A MASS meeting of 1,500 workers at the De Lorean company's Belfast plant is to take place today to explore ways of staving off the plant's closure.

All but 200 are scheduled to lose their jobs following the announcement by the receivers that production of the controversial sports cars is to be suspended from Monday.

There is no prospect of redundancy payments for the workers, whose alternative work prospects are bleak in Northern Ireland, where unemployment is running at 19.7 per cent overall. One worker in two is out of a job in area close to the plant.

Mr John Freeman, of the Transport and General Workers' Union, has called for an immediate meeting between Mr James Prior, the Northern Ireland Secretary, Sir Kenneth Cork and Mr Paul Shewell, the receivers, to discuss possible further financial assistance to the company.

However, Mr Prior has said repeatedly that the £67m the Government has sunk into De Lorean will not be increased.

Talks are understood to be continuing between Sir Kenneth and a group of UK-based potential investors.

There were indications that a small consortium of City financial institutions were considering injecting up to £15m.

O Shelvoke and Drewry, the specialist municipal vehicles maker, is closing its satellite plant at Eaton Socon, Cambridgeshire, and transferring its activities to the main works at Letchworth, Herts.

Doctors to be freed from signing sick notes for less than seven-day illnesses

BY ERIC SHORT

EMPLOYEES who are ill for a week or less, after June 14, will sign their own sickness benefit claim form to receive social security sickness benefit. They will no longer have to obtain a sick note signed by a doctor.

Details of the new system called "self-certification" are provided under Regulations published this week by the Department of Social Security.

This system represents the end of much effort by the British Medical Association to ease the burden of certification on doctors.

The medical profession has long regarded the signing of certificates as a pointless exercise and a waste of time. The present certificate does little more than state that the person has consulted his doctor and often the doctor has to rely on the patient's description of the symptoms.

Under the current system, employees need a sick note after three days' illness to claim sickness benefit. No social security benefit is payable for the first three days of illness.

From mid-June the employee will get the official sickness benefit claim forms from doctors' surgeries, social security offices or hospitals. The employee does not have to see a doctor to complete the form. The form has one simple question on details of sickness/injury, plus a declaration agreeing to the individual's doctor giving medical information relevant to the claim to a doctor in the Regional Medical Service.

The self-certification system would appear to make absenteeism much easier and some employers fear it could lead to some employees taking more time off work.

But other employers have already introduced a form of self-certification and have taken the opportunity of monitoring absenteeism and controlling an employee's sickness pattern.

From next April, employers will be responsible for paying the first eight weeks of sickness benefit when an employee is off work through illness or disability. The Government is still in the process of completing the details of the scheme.

But the Confederation of British Industry feels that the period ahead of the change-over will provide a useful test run to the self-certification system.

The Social Security (Medical Evidence, Claims and Payments) Amendment Regulations 1982, SI 1982 No 699 price 75p.

British Aerospace to cut 950 jobs

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AEROSPACE, which recently announced 1,250 redundancies in three Midlands factory closures, is to trim its labour force at its southern factories by 950 by the end of this year.

The cuts will be at Hurn, near Bournemouth, Filton, near Bristol, and Weybridge, Surrey, all in the British Aerospace Aircraft Group. The Aircraft Group overall accounts for about 50,000 of British Aerospace's 79,000 employees, the rest being in the Dynamics Group.

The latest redundancies are due to a falling volume of work on civil ventures, especially with the end of production of One-Eleven jet airliners at Hurn, though parts are being made still in a co-production deal with Romania, and the general run-down of military aircraft work.

Hurn will lose 330 jobs, Weybridge and Filton about 310 each. As far as possible cuts will be made through natural wastage and early retirement. Direct redundancies will be used as a last resort.

This may not be difficult to achieve because normal wastage in the Aircraft Group amounts to about 1,000 workers a year and many workers, up to about 3,000, are within 10 years of retirement.

British Aerospace warned recently that though as an entity it remains profitable the current world-airline industry recession and cuts in defence spending are cutting the overall work-load.

This has resulted already in the decision to close the three Midlands aircraft plants at Bitteswell, Leicestershire; Bracebridge Heath, Lincolnshire; and Holme upon Spalding Moore, Humberside by the end of the year, with the loss of 1,250 jobs.

Failures hit SE compensation fund

BY JOHN MOORE, CITY CORRESPONDENT

THE CRASH of two stockbrokers had a dramatic impact on the Stock Exchange's compensation fund. The details are revealed in the latest accounts of the Stock Exchange for the year ending March 1982.

Claims for £800,000 were paid after the collapse of Norman Collins, and £1.8m after the collapse of Hedderwick Stirling Grumbar. So serious were the collapses and the size of the claims that advances from general reserves were necessary so the compensation fund could meet claims.

Recoveries from the estates of defaulting firms received during the year reduced the level of advances from general reserves to £1.2m.

Since the year end these general reserves have been reimbursed by a second dividend of £700,000 from the liquidator of Hedderwick Stirling Grumbar.

It is expected that all advances from general reserves will eventually be recovered when further dividends are received from the estates of failed firms.

In its last financial year the Stock Exchange made 3,267 inquiries into share price movements—most were readily explained. Some 105 price movements were discussed in detail with the brokers to the relevant company.

Some 56 dealing inquiries were carried out and the results of 21 inquiries were passed to the Department of Trade for further investigation. Three prosecutions were then brought under the insider trading provisions of the Companies Act 1980. One jobber has already received compensation from the accused.

Following the row over proposed increases in commission charges by stock exchange members earlier this year Sir Nicholas Goodison, the Stock Exchange chairman, says in the accounts that "discussions with users will continue. Certain points of argument are still open," and new scales will be kept regularly under review.

Sir Nicholas says the Stock Exchange agreed to an "audit of competitiveness" of the jobbing system and he now receives regular data on the extent of competition.

"The success or failure of our case in the Restrictive Practices Court will be strongly influenced by the court's view about the extent of competition that exists in the market," he says.

Videodisc system is launched by Philips

BY JASON CRISP

AFTER massive investment, much heartache and consider able delays the first videodisc system to become generally available in Europe is in the shops, in south-east England, from today.

Last night Philips, the Dutch electrical giant, started a £1.6m promotion campaign with television advertisements for its Laser-Vision optical disc system. Philips has invested more than £200m developing the system and yet considerable doubts in the industry remain over its commercial potential.

Yesterday Thorn EMI admitted that the proposed launch of its rival disc based on JVC's system, planned for September, was now being reviewed. It, too, has been postponed before.

At a lengthy launch presentation in London yesterday it almost seemed as if Philips shared the doubts—the attempted razzamatazz was almost leaden.

The videodisc differs from the fast-selling video cassette recorder in that it cannot be used to record broadcast programmes. One of the major uses for video recorders is to watch broadcast television at a more convenient time.

Videodiscs are cheaper, of better quality and can offer extra facilities than pre-recorded videotapes. There are three videodisc systems which, like the three videotape systems, are all incompatible.

Philips System is probably the most sophisticated product anyone would have in their homes. A tiny laser reads minute "pits" on a silver disc which looks like a long-playing record.

On one side of the disc, which can play for up to an hour, there are 20bn pits. Philips has faced considerable problems in making the discs which require precision manufacture similar to making microchips.

Two versions of the disc player will be in the shops. The basic version will cost just under £450 and one with remote control will cost a little less than £500. Initially, there will be 130 titles from eight different companies including Polygram Video, Rank Video, BBC Video, CIC Video and Intervision. Titles range from Chariots of Fire to Ivor the Engine.

Most of the discs will cost between £16 and £18 and distributors will be able to rent them.

Belgian ferry group wins appeal to possess vessel

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A BELGIAN ferry operator has won a court battle over possession of a vessel that was chartered to it by the Swedish owners in breach of a previous charter to a Canadian company.

The Court of Appeal held yesterday that Regie Voor Maritiem Transport should be allowed to continue operating the Stena Nautica, owned by Stena Line, of Gothenburg, on the Dover-Ostend route, for the rest of the Belgian charter.

Regie was also entitled to exercise an option in the charter to buy the vessel for $15m (£8.3m).

The court overturned a judgment of Solomon in which Mr Justice Parker had held in the Commercial Court that Regie should have the vessel for the next two years, but after that the Canadian company, C. N. Marine, should be allowed to buy it for C$11.8m (£5.36m), in accordance with the terms of the Canadian charter.

C. N. Marine had challenged that ruling, arguing that it should be allowed to use the Nautica this summer.

Regie cross-appealed, contending that it was entitled to the full benefit of its charter for two years from last February, with options to extend for a further year and to purchase the vessel.

Brittan sees chance of reduced price rises

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MOST nationalised industries should be able to avoid introducing price rises significantly in excess of the rate of inflation, Mr Leon Brittan, Chief Secretary to the Treasury, said yesterday.

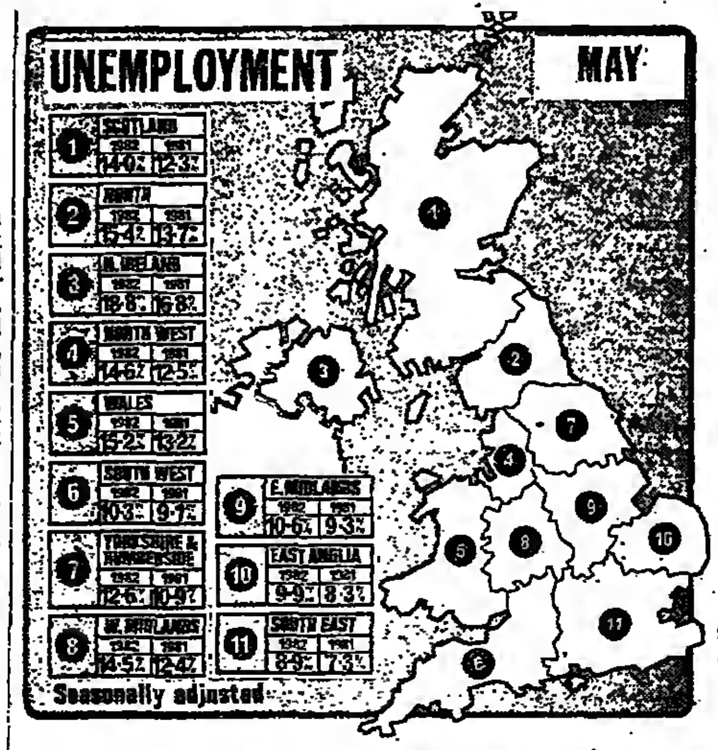
This was because the impact of a gradual return to economic pricing and the effect of oil price rises on energy costs had now "largely worked through the system."

"Although there may still be real price increases to come in the energy sector, it should from now on be possible for most of the industries to avoid further increases significantly in excess of inflation," he told the economic committee of the Engineering Employers' Federation.

The federation has been pressing the Government to increase capital investment in the industry, but Mr Brittan stressed that this had to be justifiable on commercial grounds.

"The case for a given *quantum of investment rests* not on the figures alone but on the economic and business context. Too much investment in the past had yielded disappointing returns to the Government, a pattern the Government was determined to reverse," he declared.

His speech illustrated that the Government is continuing with its tough approach to nationalised industries' financing and control.



THE TOTAL out of work in the UK, including school-leavers, fell by 38,000 in May to 2.97m. Some 35,500 adults left the register, and the rest were school-leavers. However, after adjusting for the usual seasonal fall at this time of year and excluding school-leavers, the total continued to rise to 2.57m, an increase of 22,000.

The increase in the seasonally adjusted figure for the country as a whole was 0.75 per cent compared with the previous month. The areas with a faster rate of increase than this were Northern Ireland (1.7 per cent), Yorkshire and Humberside (1.15 per cent), the North (1.7 per cent), and Scotland (1 per cent).

Rail-car maker may shed 400 jobs

By Arthur Smith, Midlands Correspondent

METRO - CAMMELL, the Birmingham-based railway cars supplier, has told union leaders that up to 400 jobs must go—about one-third of the manual workforce.

The company blames a fall in domestic demand, particularly from London Transport. By October exports will account for 100 per cent of output.

The job cuts mark a sharp reversal for a company which has achieved dramatic growth over the past five years. Employment at the Birmingham factory more than doubled, to 1,500, as the company concentrated on the growth of mass transit railway systems, particularly overseas.

Metro-Cammell announced £70m worth of orders at the end of last year in Hong Kong, to push total sales to the colony towards £300m in recent years.

But Mr Don Whitehouse, the managing director, warned at the time that a solid home base was essential to compete in international markets.

A jolt to that home market came when London Transport decided not to press ahead with its original order for rail cars on the Jubilee Line of the Underground.

London Transport said last night that, because of the Law Lords' ruling on the Greater London Council's fares policy, it was thought demand would be sufficient to justify only 90 more cars on the Jubilee Line. The option with Metro-Cammell for an extra 78 cars was cancelled.

The order, thought to be worth about £10m, will not go into production until next year. Recently Metro-Cammell built about four cars a week for London Transport but the Jubilee Line order starting next summer will mean only 1½ cars a week.

Trade unions have been told that up to 400 of the 1,200 manual workers' jobs must go by the end of the year. The company has called for voluntary redundancies, but details are subject to negotiation. The 200 staff employees have been warned jobs might be at risk, but talks have still to open.

Employment at a sister company, Metro-Cammell Weymann, is to some extent also dependent upon London Transport.

LT's proposals for a £25m order of new buses goes before the GLC transport committee on June 23.

Metro-Cammell Weymann, regardless of the LT order, expects to produce about 350 buses this year, compared with the 650 vehicles assembled last year.

North Sea taxes 'delay investment'

BY RAY DAFTER, ENERGY EDITOR

A TOP-LEVEL deputation from the North Sea oil industry will today meet Sir Geoffrey Howe, the Chancellor of the Exchequer, to press for changes in the taxation system.

The delegation from the UK Offshore Operators Association will warn the Chancellor that high tax levels and falling oil prices are endangering exploration and development projects and delaying billions of pounds worth of investment.

To emphasise their concern the association is to field its top team: Mr David Walker UKOOA's president and chief executive of BP Petroleum Development UK; Mr Malcolm Ford (vice-president, Scotland), board member of British National Oil Corporation responsible for exploration and production; Mr Charles Spruell (vice-president, England), chairman and president of Mobil North Sea; and Mr George Williams, the association's director general.

It is understood the association, which represents leading North Sea operators, is to press the Chancellor to make last-minute amendments to the Finance Bill, going through Parliament, and to consider more fundamental changes in the next Budget.

In recent weeks several operating groups have sent the Treasury and Inland Revenue details of the way changes in the structure of North Sea taxation, proposed in the last Budget, would lessen the economic attractiveness of various offshore projects.

Up to now the Chancellor has said it is falling oil prices, rather than taxation, that is holding up some of the offshore projects, like Shell's Tern Field and British Petroleum's Andrew discovery. Sir Geoffrey has also reminded the industry that the Government intends to phase out Supplementary Petroleum Tax—as requested by the industry—and is also trimming the top rate of taxation.

It is thought that the the industry is finding a good deal of sympathy for its views among officials and ministers within the Department of Energy. The Department's Offshore Supplies Office, responsible for encouraging business among UK manufacturers and service companies, is known to be concerned about the reduced number of orders placed by oil companies.

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Balmoral well improves BNOC project prospects

BY RAY DAFTER, ENERGY EDITOR

BRITISH National Oil Corporation has drilled a successful oil well in the North Sea which improves the chances for a £350m field development project.

The well was drilled on block 16/21, next to North Sea Sun's Balmoral oil field, some 150 miles north-east of Aberdeen. BNOC said the well, drilled on a geological structure contiguous with the oil field, was tested at a flow rate of up to 5,100 barrels a day.

Within the industry it was being said last night that the well, drilled by the semi-submersible rig Bendoran, helped to confirm the presence of important oil reserves in block 16/21.

It is expected that these reserves, designated as the Balmoral Field, will be produced by a consortium led by Sun. The field, containing an estimated 60m-100m barrels of recoverable reserves, is likely to be exploited by a purpose-built floating production platform.

Although Sun is already building up an operating team to undertake the project, it is unlikely that the company will seek formal development approval from the Government before next year. The Sun Group plans to appraise its part of the field, in concession 16/21a, later this year.

Partners in BNOC's drilling venture, in concession 16/21b, are: BNOC (40 per cent), Arco British (8.75 per cent), Arco Oil (26.25 per cent), Carless Exploration (12.5 per cent) and Gas and Oil Acreage (12.5 per cent).

● Bechtel Great Britain has won a £65m contract to undertake the engineering, procurement and construction management of a 138-mile natural gas liquids pipeline in Scotland. The contract for the onshore pipeline was awarded by Shell Exploration and Production as part of project to transport to Scotland natural gas and gas liquids from Brent and other fields in the northern part of the North Sea.

British Steel Corporation is to supply 20-inch diameter pipe for the gas liquids line, which will run between a reception terminal at St Fergus, near Peterhead, and a fractionation plant at Mossmorran on the Firth of Forth. The onshore line is due to be commissioned early in 1984.

Life bonds lobby fails

BY ERIC SHORT

THE Life Offices Association and Associated Scottish Life Offices, the life companies' professional bodies, have failed to persuade the Inland Revenue to act immediately on "second-hand" life bonds, a form of tax-avoidance.

Where an individual buys a life bond direct from a life company, the profit is subject to higher-rate tax. Where the investors buys the bond from an independent third party, however, it is an asset, not a life policy, and subject to capital gains tax in the same way as buying second-hand furniture.

New indexation of capital gains tax rules favour second-hand bonds for higher-rate taxpayers. This, in effect, means they can receive high levels of income free of tax.

Members of the two professional bodies are encouraged to use the tax concessions on life-contracts responsibly and not in artificially designed packages to avoid the purpose of the concessions. They have abided by this gentlemen's agreement.

Some life companies not members of the association, however, feel no such inhibitions. They encourage marketing of second-hand bonds. Most of these companies have kept a low profile in their information to brokers. Some organisations, however in the absence of Revenue action, are now marketing the bonds openly. Member-companies have lost business to non-members.

Hopes raised for Highlands' industrial casualties

Mark Meredith looks at efforts to save a pulp mill and smelter

NEW LIGHT was shed yesterday on attempts to resuscitate two major industrial casualties of the Scottish Highlands—the pulp mill at Fort William and the Invergordon aluminium smelter.

The pulp mill was closed by Wiggins Teape in November 1980 with the loss of 450 jobs and the smelter shut last December with the loss of 850 jobs.

Both closures were major blows to the Highlands, where unemployment remains at a post-war record of over 13 per cent.

Investigations into the re-opening of both plants have involved the Highlands and Islands Development Board, the Government's industrial promotion agency for the north of Scotland.

Yesterday the board published its annual report and officials disclosed that consultants have favourably reviewed a proposal to reopen the pulp mill given certain market and production conditions.

The mill was closed because it used a chemical process to produce pulp which was not suited to the requirements of the adjoining paper mill.

The board and the Scottish Development Agency commissioned consultants Inbucon to study the future of the wood processing industry in light of the closure and Scotland's growing supply of timber.

The proposal to reopen the mill involves the production of both pulp and a by-product called ligno sulphate. The originators of the plan believe there is a considerable demand for ligno sulphates, which are chiefly used as a binding agent in animal feedstuffs.

Wiggins Teape has long wanted to resolve the future of the mill so that it can sell off disused equipment.

An earlier attempt by Mr John Robertson, a Highlands businessman, and Mr Brian Elias, the plant's former chemist, to re-open the mill failed because they were unable to raise sufficient funds for its purchase.

Various estimates of between £10m and £25m have been given for the cost of bringing the pulp mill back into production.

Board officials are anxious not to encourage false hopes about a reopening. However, yesterday they said the consultants had recomended that bankers study the proposals.

New details also emerged yesterday of efforts to find a buyer for the Invergordon aluminium smelter, north-east of Inverness.

Potential buyers may be offered an electricity contract covering up to five years as part of a package which the Scottish Office will present to the four or five groups which have shown an interest in the smelter.

One of the problems which a power contract for the electricity-hungry smelter has been the length of time which any special power tariff would apply.

Among potential buyers is American Alumax Corporation, which, despite earlier indications to the contrary, is still in the running, according to officials close to the negotiations.

Hopes of an eventual reopening of the smelter were raised last month when the Government agreed to underwrite the cost of providing electricity to Invergordon. The move was designed to make rates for electricity at Invergordon coincide with rates applying to two other smelters in England.

Yesterday, Mr Robert Cowan the new chairman of the Highlands and Islands Development Board said last year had been the board's most difficult year.

The board had recorded a loss of 7 per cent on its loan investment over the past year. Total assistance in the 10 years up to last December had reached £142m at 1981 prices. This aid had created or retained an estimated 20,800 jobs in 5,400 projects.

Mr Cowan said that in the future the board would place more emphasis on encouraging smaller industries and would aim to reduce the Highlands' vulnerability to recession by "widening the mix of industries."

The annual report shows that although the service sector has been less affected by the recession tourism, a key Highlands industry, nevertheless declined. Last year the number of overseas visitors fell by 7 per cent.

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UK NEWS—PARLIAMENT and POLITICS

THATCHER RULES OUT FALKLANDS NEGOTIATIONS UNTIL ARGENTINES PULL OUT

UN call for ceasefire will face British veto

BY IVOR OWEN

BRITAIN will not enter any peace negotiations and will veto any UN Security Council resolution calling for a ceasefire *until* Argentina's troops are withdrawn from the Falklands, the Prime Minister stressed in the Commons yesterday.

Tory MPs cheered her firm stand on these issues, which was coupled with a denial that she is at odds with Mr Francis Pym, the Foreign Secretary, over the next moves to be made on the diplomatic front.

Mrs Thatcher brushed aside attempts by Mr Michael Foot, the Opposition leader, and other Labour MPs to highlight differences between her position and that taken up by Mr Pym in last Thursday's debate on the Falklands crisis.

She pointed out that the Foreign Secretary, seated some distance away from her on the Government front bench, had recently made five different speeches reflecting changing circumstances.

For this reason, it was not possible for her to answer with a simple "Yes" when asked if she agreed with any one of them.

The Prime Minister hit out at Labour MPs who interpreted her words as an admission that Mr Pym was constantly being forced to change his view.

It would have been amazing, she said, if circumstances had not changed.

MR JOHN NOTT, Defence Secretary, acted yesterday to consolidate the wave of public support for the families of Falklands battle casualties by setting up a South Atlantic Fund.

MPs, press and public have been pressing for some sort of organisation to "tidy up" the expected flow of funds and avoid some of the problems which arose because of vast donations following the Penlee lifeboat disaster.

But with the Falklands action continuing it is by no means clear what the relatives' needs will be, and which service charities should benefit.

The South Atlantic Fund, which will be governed by trustees not yet appointed, will act as a sort of "suspense account" to hold money to be shared ultimately among the various service and merchant navy charities.

Defence Ministry official are sure the needs will become apparent later on, and that if money is held in a central account it will be easier to organise a proper share-out.

They are anxious, too, that money should not be sent to newspapers or organisations which may not be properly equipped to handle the flow.

All donations should be sent to: The South Atlantic Fund, Ministry of Defence, Archway Block South, Old Admiralty Building, London SW1A 2BE.

In the Lords, the Government announced that war widows and disabled servicemen are to be granted new rights in claiming housing benefits from local councils.

Town halls will be legally bound to disregard war widows' pensions and war disablement pensions in assessing entitlements to rate and rent rebates and allowances, the Earl of Avon, Social Security spokesman, told Peers.

The new duty will replace local authorities' discretionary powers to consider the pensions in assessing benefit rights, he said during the Report Stage of the Social Security and Housing Benefits Bill.

"The Government wholeheartedly agrees that local authorities should be able to disregard war pensions completely when they assess claims," he said.

"There is nothing economic or political in this," Lord Avon said after calls for the move came from all sides of the House.

He stressed that councils had always been free to disregard war pensions. The right was simply being guaranteed.

A change would be introduced to the Bill at a later stage to effect the decision, he added.

To cheers from Government supporters, Mrs Thatcher told her critics on the Opposition benches: "I agree with the Foreign Secretary's speeches and he agrees with mine—totally unlike the Labour Party."

The Prime Minister also gave a hint that Mr Rex Hunt, the Governor of the Falkland Islands, may soon be leaving for the South Atlantic.

She told Sir John Biggs-Davison (Con, Epping Forest), who suggested that the Queen's representative should make an early return to liberated British territory, "that is a matter under consideration."

Mr Harvey Proctor (Con, Basildon) warned that in view of the sacrifices made by British servicemen in recapturing the Falkland Islands any negotiations regarding their sovereignty with Argentina or anybody else would be "unforgivable and unforgettable."

The Prime Minister reaffirmed that the Falkland Islands were British sovereign territory and that the Government aimed to restore British administration.

She envisaged that after they had been repossessed a good deal of reconstruction would need to be done. Then the future would have to be discussed with the islanders.

"I shall be amazed if they are not now more hostile to Argentina than before," she said.

Mr Martin Flannery (Lab, Hillsborough) advocated a cessation of hostilities so that there could be discussions of the future sovereignty of the islands, possibly under the aegis of the United Nations.

He also questioned the "confident assertion" by Mr John Nott, the Defence Secretary, on Monday, that the days of the Argentine garrison on the islands were numbered.

Some people, he said, might think that the Defence Secretary had been over confident.

Mrs Thatcher retorted: "Do you not want those days to be numbered?"

She argued that a ceasefire would leave the invader in occupation and the whole paraphernalia of tyranny in place.

Mr Sydney Bidwell (Lab Southall) suggested that consideration should be given in the longer term to allowing some Argentine families to live on the Falkland Islands.

Foot faces leadership challenge from left

By Elinor Goodman

MEMBERS OF Labour's hard left yesterday threatened to use the divisions in the Labour Party over the Falkland Islands as justification for launching a decisive challenge to Mr Michael Foot as party leader.

An editorial in London Labour Briefing, a magazine edited largely by supporters of Mr Tony Benn, accused Mr Foot of adopting a "pathetic and hypocritical" position.

It claimed that many would now feel "quite justifiably" that Mr Foot was not the right man to lead Labour into the next General Election. His role in the whole Falkland Islands affair it said had been "hugely damaging to the Labour movement."

The magazine said this year's annual conference would be the last opportunity to replace Mr Foot before the election. Pressure, it said, was bound to grow for someone to come forward and challenge him for the leadership as "such weak, decrepit and clapped out leadership was an electoral liability."

The obvious candidate for the far left to run against Mr Foot would be Mr Tony Benn, who has throughout the Falkland Islands crisis attacked the shadow Cabinet's support of the Task Force, but Mr Benn has apparently made it clear, to those who organised his bid for deputy leadership last year, that he does not at present want to be involved in any challenge to Mr Foot. Many of those who backed him for the deputy leadership last year share this view.

Nevertheless, the editorial is symptomatic of the anger among some party activists with Mr Foot's handling of the Falkland Islands situation. Over the last few weeks, several activists have been saying privately that Mr Foot's attitude could justify a leadership challenge.

In the past, London Labour Briefing has put very heavy pressure on MPs to follow their line and the editorial could well point to problems ahead for Mr Foot.

It claims that Mr Foot's weak leadership was also apparent in the council elections where his national unity stance actually encouraged those who felt they had to use their vote to express support for the Government and its national war effort.

In a passage which many MPs will regard as particularly offensive it argues that "the blood that has been spilled is on the hands of those Labour MPs who supported the Government."

The general tenor of the editorial seems certain to add to the tension between Labour MPs and the hard left, and re-open the divisions which were so carefully concealed in the run up to the May local elections.

Labour's shadow cabinet and the party's national executive committee agreed yesterday to look again at the state of the 500-page Labour's Programme for 1982, now in the process of being endorsed by the executive as a preliminary to putting it to this year's party conference.

Mr Foot said the shadow Cabinet wanted to know more about the state of the document

Opposition rifts deepen

Labour's class war of raw nerves

BY PETER RIDDELL, POLITICAL EDITOR

THE FALKLANDS crisis has touched raw and deep nerves within the Labour Party over the use of armed force, and has intensified existing divisions, notably about the position of Mr Tony Benn.

Labour has never been particularly comfortable with anything to do with armed conflict because of the party's long commitment to disarmament.

Indeed, the Ministry of Defence has, with the exception of Mr Denis Healey, usually been a side-turning, rather than a route to the top for Labour politicians.

Faced by the fact of war, Labour has had to reconcile disparate strains of neo-pacifism and a willingness to use force if necessary—as in the Second World War and the Korean war.

Some observers—George Orwell in his war-time pamphlet The Lion and the Unicorn, for instance—have seen a contrast between working-class patriots and rootless middle-class intellectuals. There is something of this in the current Labour debate over the Falklands.

In favour of more sanctions

Any simple categorisation of views along traditional left/right, unilateral/multilateral lines is misleading.

Analysis starts at the 33 MPs who opposed Government policy in a Commons vote last Thursday, against the party leadership's advice to abstain. That number is probably less than all the so-called peace party in Labour, which opposes the sending of the task-force and favours intensified economic sanctions against Argentina. This is partly because many MPs were not at the Commons that day.

More than 80 MPs supported an earlier motion, sponsored by Dame Judith Hart, to call for an immediate truce, though this was worded so as to attract the widest possible support.

The 33 MPs are a far from homogeneous group, though they include a significant number of Scots. They certainly take in the hard core of Mr Benn's supporters in parliament but also include people of notably independent mind, such as Mr Tam Dalyell and Mr Andrew Faulds—the latter priding himself on not being a member of the "loony left." Within the shadow Cabinet, Mr Eric Heffer, no friend of Mr Benn, sympathises with the group's general approach.

At the opposite end of the spectrum, there is a sizeable group which strongly supports the Government's approach and is sharply critical of Mr Benn. This group cannot be quantified, though prominent among them are Mr Peter Shore, the Shadow Chancellor and personification of the English-patriot strand in Labour, and Mr James Callaghan. The group also includes many working-class MPs with war service.

There has been little difference in practice between this group and the majority of the party, which follows the lead of Mr Michael Foot and Mr Healey—their conditional support for the Government being dependent on its pursuit of a negotiated settlement. This has also been the view of many union leaders.

For Mr Foot and many on the traditional left (including noted nuclear disarmers, such as Mr Stan Orme), the dispute raises clear moral issues. Argentina is obviously the aggressor, it is ruled by a military junta and Britain has acted in conformity with its obligations to the United Nations. That is why Mr Foot has said the issue is entirely distinct from the Suez crisis, and why he has denounced attempts to make such a comparison in the newly-Bennite Tribune as "infantile leftism."

The core of Mr Foot's speeches has been the role of the UN. He might have faced an acute dilemma because of the escalation of military conflict, if the choices had not been simplified by the breakdown of talks last week. As it is, Labour leaders are against insistence on unconditional surrender and for further negotiations.

Labour may be reassured that, despite its poor results in local elections this month, its showing in opinion polls seems to have bottomed out at about, or a little more than, 30 per cent.

Strong views of the activists

How far the balance in Parliament is reflected in the party as a whole is impossible to say. Many MPs, on the left and on the right, say that working-class views in their local Labour clubs are often strongly in *favour of the task-force and* against Mr Benn. However, the views of the activists who run constituency parties, especially in the big cities, appear much more hostile to the use of force—to judge by various left-wing weeklies, for example.

The dilemma for Labour is that summed up in Aneurin Bevan's comments at the time of Suez, as reported by the late Richard Crossman: "If we do not take care, we shall turn the working class against us. There is no reason why, in attacking the Tories, we should commit ourselves to the view that all UN decisions must be accepted and that all recourse to force must be opposed as aggression. What makes the Labour Party go wrong in foreign affairs is that it takes its policies from middle-class intellectuals, devoid of antennae and with a dreadful habit of falling down and worshipping abstractions."

Poll shows Ulster majority for Prior plan

BY MARGARET VAN HATTEM, POLITICAL STAFF

MOST OF the people of Northern Ireland want devolved government and support the idea of an elected assembly with a power sharing executive, according to an opinion poll published in the Irish Times.

The poll provides much-needed ammunition for Mr James Prior, the Northern Ireland Secretary, in his battle to get his devolution Bill through Parliament. It confounds the arguments of many of his critics on the Tory back benches, who say his plans are doomed to failure since the vast majority in the province oppose them.

The poll finds that 60 per cent of the 1,000 adults surveyed want a new elected assembly: 33 per cent strongly favoured the idea and 27 per cent are "somewhat in favour." Only 16 per cent oppose it. These are mainly Catholics living in the Belfast area.

On the more contentious question of power sharing, involving an institutionalised share of power between Unionists and Nationalists, 55 per cent were in favour and only 21 per cent opposed the idea. Significantly, the sectarian breakdown of the figures shows that 45 per cent of Protestants favour power sharing, 24 per cent are undecided and only 29 per cent oppose the idea.

Given a range of alternatives to an elected assembly, however, 35 per cent of the sample opted for integration with Britain, 25 per cent for a continuation of direct rule, 14 per cent for federation with the Irish Republic, 9 per cent for an independent North Ireland. Only 17 per cent found none of these alternatives acceptable.

... The sectarian breakdown showed, not unexpectedly, that almost half the Protestants wanted integration with the UK while 29 per cent wanted continuation of direct rule. More surprisingly, only 9 per cent of Catholics wanted federation with the Irish Republic while 40 per cent opted for continuation of direct rule.

The poll, conducted in 58 centres across Northern Ireland in the second week of May, is an interesting pointer to the make-up of the assembly likely to be set up this autumn if Mr Prior's plans proceed.

Indications are that the two hard-line Unionist parties—the Official Unionists and the Democratic (Paisleyite) Unionists would together win 60 per cent of the seats while the moderate Unionists of the Alliance Party would win 17 per cent.

This would take the combined Unionist parties well over the 70 per cent trigger needed to send any agreement concluded in the assembly to Westminster for approval.

The Social Democratic and Labour Party, the only major nationalist party, could expect only 18 per cent of the seats, so that without the support of the Alliance, it could not block the process. On the other hand, the mere 19 per cent support for the DUP indicates that the Rev Ian Paisley would have no chance of imposing a veto without the support of the Official Unionists.

New blow for N. Ireland devolution Bill

By Margaret Van Hattem, Political Staff

THE LABOUR PARTY has indicated that it will oppose any attempt by the Government to impose a guillotine on Mr James Prior's Northern Ireland devolution Bill.

This could seriously compound the Government's difficulties in getting the Bill through parliament. Tory back benchers opposing the Bill are convinced they have the tacit support of the Prime Minister and are lobbying energetically for a prolonged filibuster during the Committee Stage, which begins in the Commons tomorrow.

However, Mr Prior remains determined that the Bill should go through in the current session of parliament, and is expected to insist on a guillotine if it proves necessary.

Indications are that the Government Whips are preparing for a very close vote on a guillotine motion, but are determined to force it through. They appear likely to have the support of the Liberals and Social Democrats.

Labour broadly supports Mr Prior's underlying strategy but has strong reservations on some of the Bill's provisions, and insists it would reconsider its position on a possible guillotine only if substantial amendments were conceded in advance.

At the same time, Labour MPs concede that it would be politically impossible for the Government to concede these amendments and retain the support of the vast majority of its own back benchers.

Support for alteration in local government finances

BY RAYMOND SNODDY

MR TOM KING, Minister for Local Government, said yesterday that of 1,130 submissions on the Government's Green Paper on financing local government only 40 were in favour of the status quo.

He told the Commons Environment Committee that there was a wide consensus for change. The submissions were being analysed.

Mr King said he was looking carefully at arguments by many councils and local government specialists in favour of supplementing the rating system with a local income tax. Such a combination would boost local revenue capacity and increase local autonomy.

A programme of comprehensive and substantial reform would stretch over more than one Parliament and it was highly desirable that it should have a wide degree of public and bi-partisan support.

The Liberals and SDP had submitted papers but the Labour Party "did not feel it appropriate

Tax certificate change to benefit school leavers

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

CHANGES were announced yesterday which make it possible for school and college leavers to become self-employed sub-contractors in the construction industry without having tax deducted from the payments they receive.

At the moment the tax is deducted at source unless the sub-contractor holds a special tax certificate.

But in order to obtain a certificate which allows the tax to be paid at the end of the financial year a person must have been continuously employed or self-employed for three of the previous six years.

The new arrangement, foreshadowed in the Budget, is intended to remove this anomaly and make it easier for them to get work experience in the building industry.

When it comes into effect in December a period of full-time education or training will be taken into account.

Mr Nicholas Ridley, Financial Secretary to the Treasury, has added a clause to the Finance Bill to bring the changes into effect.

BEACONSFIELD BY-ELECTION

Conservatives set to sail home on a surging tide of patriotism

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

AFTER ABOUT an hour accosting people in a Beaconsfield shopping street, I eventually came across, rather in the manner of an entomologist discovering a rare species of butterfly, a man who described himself as a "lifelong Liberal."

He had, he said, voted Liberal since 1959. But this time, *he wasn't sure.* As a military man, he said, he was thinking of supporting the Government.

Such is the tide of pro-Government feeling, generated by *the Falkland Islands crisis*, which faces the Liberals and Labour in tomorrow's Beaconsfield by-election. The issue has dominated the campaign to the exclusion of practically every*thing else*, and left the other parties impotently fuming about the Tories "wrapping themselves in the Union Jack."

The Liberals, who only two months ago thought they had a good outside chance of *overturning* the Conservatives' 21,495 majority, would now be relieved to come an "honourable second" which means cutting the majority to under 13,000.

The Labour Party, *which* never expected to do anything but badly in this true blue corner of southern England, would claim a success if it managed to push the Liberals into third place.

The Tories insist, in a statesmanlike manner befitting the situation, that *they* have not been cashing in on the Falklands crisis. But to put it at the very least, the party has undoubtedly used the crisis to maximum advantage.

Its basic message has been "support your Conservative candidate and back your Conservative government," with the unspoken, but quite clearly *understood rider,* "*in its hour* of need."

The Prime Minister herself has said in a message to the electorate now being pushed through every letter box that she hopes the electorate will "demonstrate their support for the Government's absolute response to the crisis in the South Atlantic, and for our policies at home.

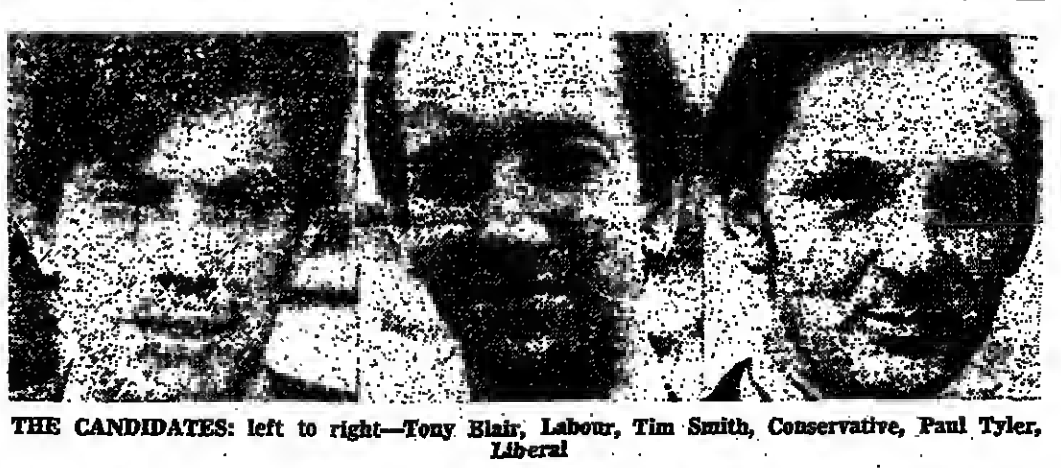
In the same leaflet Mr Tim Smith, the Tory candidate, claims that the "determined resolution with which the Government has tackled the Falkland Islands crisis is indicative of the whole approach of Mrs Thatcher to every problem that Britain has faced over the last three years."

The signs are that this message has got through and that Mrs Thatcher's handling of the crisis has affected perceptions of her in other policy areas.

People talk admiringly about how "firm" she has been, and tell you this is just the kind of approach that is needed to solve Britain's domestic problems like unemployment and inflation. You still come across people who say they "can't stand the woman" but this reaction is far less in evidence than it was during, say, the Crosby *campaign.*

Neither of the Conservatives' main opponents have been able to find a way of dealing with the Falklands factor. Both have tried to switch attention to other matters like unemployment, which they have insisted will remain long after the Task Force has returned to base.

Mr Tony Blair, the Labour *candidate,* has campaigned on the full range of Labour policies—including a non-nuclear defence policy, the alternative economic strategy, and withdrawal from the EEC.



THE CANDIDATES: left to right—Tony Blair, Labour, Tim Smith, Conservative, Paul Tyler, *Liberal*

In what could be a sign of a longer-term change of attitude, far less people are enthusing about the "freshness" of the Alliance, and far more about its lack of policies

A 28-year-old barrister with an engaging open manner, he has for the most part put his arguments across well. As far as the travelling media circus *is concerned, his big success has* been making one real local issue—gravel pits—his own.

Meanwhile, Mr Paul Tyler, the Liberal candidate, has, with the backing of the SDP, been daily preaching the gospel of moderation, and trying to stir up what he believes is underlying discontent about the Government's handling of the economy.

There is certainly anxiety about unemployment and inflation in the constituency, despite its generally prosperous exterior, but the Liberals admit they *have found* that in the current mood of national pride, people do not want to be reminded of the things that make Britain less than Great.

Equally, there seems to have *been little mileage* in the argument—used by both the Labour and Liberal leaders when they came to the constituency—that the Falklands problem would not have arisen in the first place but for "blunders" by the Government.

Mr Smith has replied to such suggestions by saying, with a slightly injured air, that the *time for post mortems is* not while the troops are in action.

Mr Smith, a 34-year-old chartered accountant, has proved himself to be a competent, and politically deft, candidate.

Once regarded as a "wet," he has given up his membership of the Tory Reform Group on the grounds that he did not like the way it "sniped" at the Government.

He claims he would have been quite happy fighting the by-election on the Government's record on the economy alone, and has duly gone through the full gambit of the Government's policies.

He has had by no means an unqualified welcome from former Tory voters. On the doorsteps there are complaints about inflation, unemployment and rates, and these will be defections to the Liberals. Some voters, particularly women, *have also* voiced *reservations* about what is happening in the South Atlantic.

But the Falklands issue is likely to restrict to a minimum the usual mid-term protest against the Government and discourage Tory voters from experimenting with a new party.

In what could be a sign of a longer-term change of attitude, far less people in Beaconsfield are enthusing about the "freshness" of the Alliance, or the "new approach" and far more about its lack of policies.

At the start of the campaign, the Liberals' prime objective was to squeeze dry the Labour vote—around 20 per cent in 1979. But even in this, they may have been thwarted by the Falkland factor.

Tory and Liberal canvassers claim to have met die-hard Labour voters who will be voting Tory this time in support of the Government. Even so, the Liberals will probably make substantial inroads into the Labour vote.

Labour campaign managers admit that their job has been made more difficult by the way the Falklands issue has reinforced the idea of a divided party.

Both Labour and the Liberals admit that the Tories will coast home tomorrow, though they disagree about who will come second. Canvass returns suggest it will be the Liberals, though there are still a large number of "don't knows" who could go either way, depending on the news from the Falklands.

Even so, the Tories look fairly certain of a majority well into five figures.

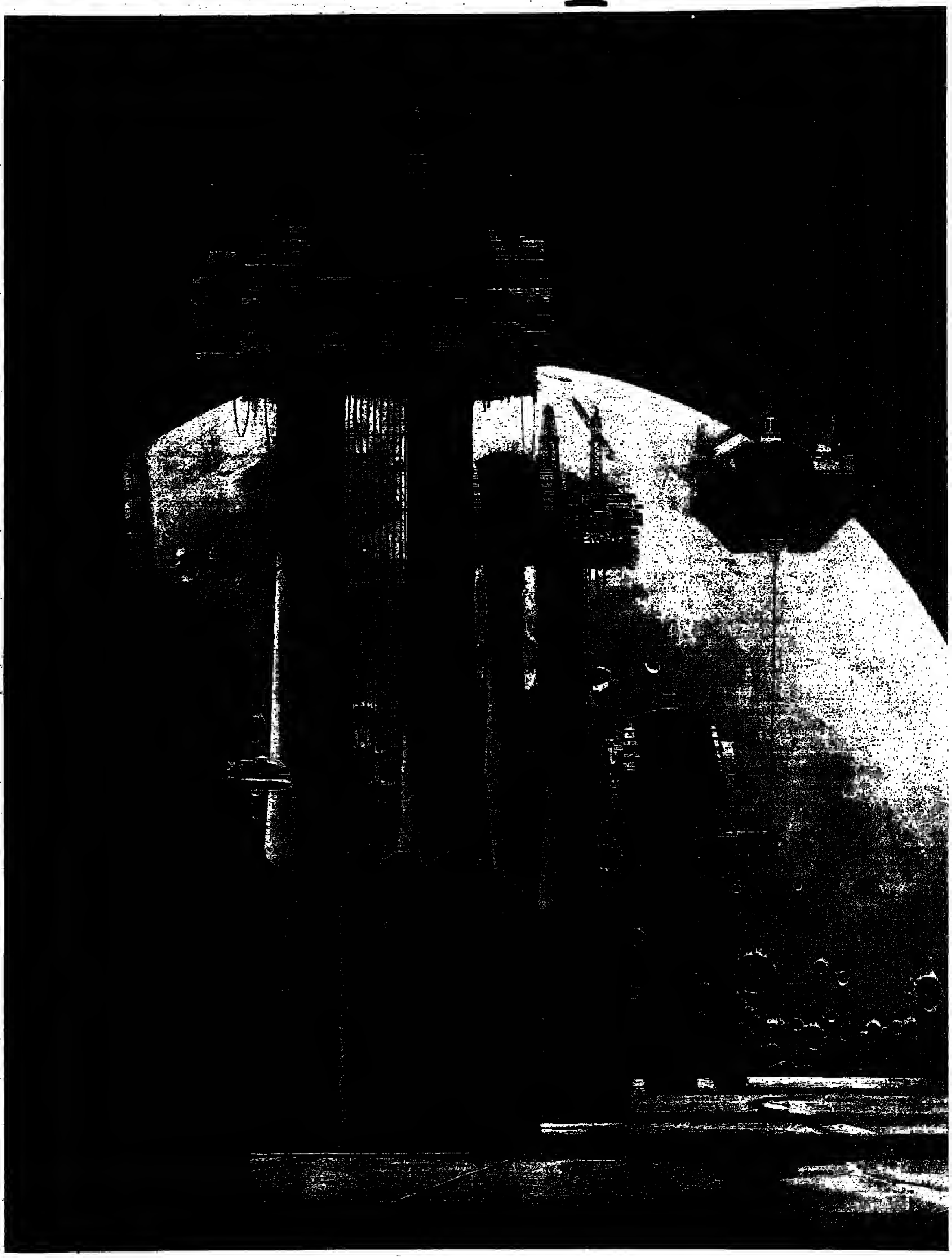
Whatever happens, the Tories' opponents will be able to claim with some justice that Beaconsfield is a freak result, and both parties were *already preparing* their excuses yesterday—Labour has a particularly good one in that the FA Cup Final replay in the evening may keep some voters in front of their television sets.

But freak or not, the result will be a disappointment to the Alliance, which badly needs a boost to morale. The one person who might have cause for *private relief is Mr Roy Jenkins,* who but for the fact that he was already a candidate for Glasgow Hillhead at the death of Sir Ronald Bell, might well have regarded Beaconsfield as a much safer haven than Glasgow.

Pollution battle for London

THE GREATER London Council is planning to step up its work against pollution in the capital, concentrating on the worst blackspots. A three-point plan has been produced for consultation with the London boroughs.

What you're looking at is no Sea of Tranquillity.



Neither is it a scene from the imagination of some science-fiction artist (although we commissioned one of Britain's finest sci-fi artists to paint it).

It is what you would actually see if the waters of the North Sea suddenly became invisible.

Silhouetted against a huge moon are the four giant production platforms that form the core of the Brent oilfield.

The Brent Field, operated by Shell, lies far out to sea, roughly halfway between Scotland and Norway, and about 100 miles northeast of Shetland.

The painting shows *(from left)* the production platforms Delta, Charlie, Bravo and Alpha, each towering well over 700 feet above the seabed in its steel, or concrete, socks.

They are built to withstand one-hundred foot waves and winds gusting up to 160 mph while continuing to collect oil and gas, 24 hours a day, from rock depths lying some two miles beneath the sea-floor.

Floating in the far distance *(bottom right)* is the drilling rig Stadrill, prospecting for oil in another part of the Brent Field.

And riding the invisible seas with contemptuous ease *(top right)* is the 23,000 ton semi-submersible, pipe-laying barge Semac I.

FLAGS: a major new gas-gathering scheme in the North Sea.

We used Semac I to lay one of the world's longest, largest, deepest undersea pipelines. (The painting shows the pipe being fed over the stern of the barge and trailing down to the seabed.)

The pipeline is the backbone of a major new North Sea gas-gathering scheme known to the oil industry as FLAGS: Far North Liquids & Associated Gas System.

It will enable us to bring ashore the substantial and hitherto untapped gas reserves of Brent and other oilfields in the northern North Sea.

The FLAGS pipeline, 36" across and made of steel coated with concrete, runs 280 miles along the seabed between the Brent Field and St. Fergus in Scotland.

Laying it was an astonishing feat.

The North Sea is no millpond. It is quite the most hostile stretch of water the oil and gas industry has ever tackled.

Much of the pipeline was laid in appalling weather: force 10 gales, thick fog rolling in the troughs between giant waves, zero visibility.

The FLAGS system will before long be supplying some 12% of Britain's gas needs. (The Brent Field already supplies about an eighth of Britain's oil.)

But neither statistics nor adjectives (nor the vastness of our operating costs) can ever give you a real sense of the scale and scope of our work in the North Sea.

The Brent Field: an offshore oiltown.

The Brent Field, for instance, does not simply consist of the four great platforms attended by a pipe-laying barge and a drilling rig or two.

Several other giant structures (like the floating oil-storage and-loading facility, Spar) are nearby. And platforms may be attended by 'flotels' (floating hotels) and semi-submersible diving barges.

Tugs, tankers and supply boats ply the surface, the latter bringing in everything from drill-pipe, cement for well-casing and drilling mud, to food and fuel.

Under the surface, mini-subs and diving-bells are at work. While in the skies, helicopters constantly come and go, bringing in vital tools and flying drilling crews and other technicians in and out.

Our platforms and rigs are crewed by over 3,000 men, who manage to tuck away well over 100 tons of food each week.

Power to keep the big platforms working is generated by turbines similar to those which fly large jet aircraft.

Computer banks continuously receive and process information about subsea oilwells and the many working functions of each platform, key data being relayed simultaneously to the platforms and Shell headquarters in Aberdeen.

The cost of these operations is so immense that it beggars description.

One way of putting it is that Shell's expenditure in the North Sea has amounted to more than half a million pounds per day, every day for the last eighteen years.

When we add up our chequebook stubs, our total investment to date works out at more than £4,000 million in 1981 money. Those figures double when you include the sums invested by us on behalf of our partners.

A conquest to rival the moon-landings.

Although there are projects which cost more, in terms of sheer technological innovation there is no other achievement on earth to match the conquest of the North Sea.

We have pushed back the limits of technology so far that the only feat which invites comparison is otherworldly: the placing of the first men on the moon by NASA's Apollo space programme.

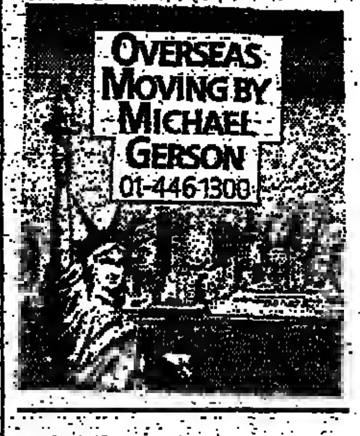
As a matter of fact, the computer-room that monitors our operations has a great deal in common with that famous control-room in Houston.

And Shell is proud to be in the forefront of an endeavour which only twenty years ago, would have been dismissed as pure science-fiction.

You can be sure of Shell

TECHNOLOGY

EDITED BY ALAN CANE



Space spin-off may unearth those hidden old masters

BY MICHAEL DONNE

DETECTING Old Master paintings that may he hidden underneath the paint layers of later, lesser works has for long heen achievahle by means of X-ray photography. The prohlem confronting art historians and gallery curators is to obtain clear enough images to enahle the hidden works to be studied in sufficient detail to discover who painted them, and when. The physical separation of one layer of paint from the other is impossihle without irreparably damaging one or the other of the works of art.

Fused

Now space scientists at the U.S. National Aeronautics and Space Administration's Jet Propulsion Laboratory at Pasadena, California, working with art conservators of the Los Angeles County Museum of Art, have developed a technique of "separating" those fused layers of paint hy using X-ray photography allied to what is called "computer image enhancement."

Derived from the computer-processing of photographs heamed across many millions of miles of space from interplanetary spacecraft, this method first involves devising a computer programme in conjunction with X-ray photography to minimise the appearance of the grain pattern of the wood or canvas on which the original work was painted.

Next, a photograph of the top, visible, painting is matched with another X-ray image of the hidden under-painting. The computer detects any brush strokes from the top version that match precisely the hidden under-painting, and then "subtracts" them from the X-ray image of the under-painting. By a continuous process, it is possible eventually to eliminate most of the traces of the top painting, leaving the X-ray image of the hidden painting in greater clarity of detail.

This method ensures that there is no physical damage to either painting, while enabling conservators to study the hidden work of art in much greater detail, perhaps enabling them to identify its painter and to date it.

The technique has been used to separate and enhance the image of a painting found to exist beneath a 17th centuring oil painting of The Crucifixion, hy an unidentified Flemish Master, showing Christ being lowered from the Cross.

Eliminate

The under-painting, directly on to the 16 by 24 inch panel, has been found to depict a man and a woman seated at a table, dressed in 17th century clothing, in a room lit by sunlight through a window.

This method of "computer image enhancement" is expected to he carried much further, for example in helping to date old paintings more precisely. Dencrochronology, the science of dating wood, based on the number and character of tree rings, usually requires shaving part of the panel. Computer enhancement of the wood grain of a panel would eliminate the need for such mutilation.

The JPL project cost $35,000, helped hy a grant from the Armand Hammer Foundation and the California Institute of Technology's President's Fund.


Restoration, hut what might he hidden beneath the paint layers? Computer image enhancement may help the world of the old masters

Computer matching for fingerprints

BY GEOFFREY CHARLISH

PRINTRAK, the computerised finger print matching system developed in the U.S. hy Rockwell has heen purchased hy the De La Rue Company of London. A new company, De La Rue Printrak has heen set up in Anaheim, California, where product improvement will continue and from where systems will be made available worldwide.

The system, which takes prints, digitises them, and then looks for a match among a large number of similarly digitised prints held on electronic file, is already operational in seven installations in the U.S., Canada (the Royal Canadian Mounted Police) and Brazil.

Scotland Yard has examined this system and two others that have heen developed in the UK and it is understood that they will be ordering one of the latter. The Yard has been using for some time a system in which print images are examined on screens, the data extracted manually and subsequent comparisons made hy computer after further data entry hy the operator.

Many police forces still use straightforward manual comparison, which requires a great deal of manpower to achieve results quickly. According to De La Rue, the criminal fingerprint file at the FBI has grown to more than 75m cards, representing more than 21m people. Some 24,000 cards are received by the Bureau each day and about 15,000 of them must he searched against existing files. Apparently some 3,000 technicians are employed for the purpose.

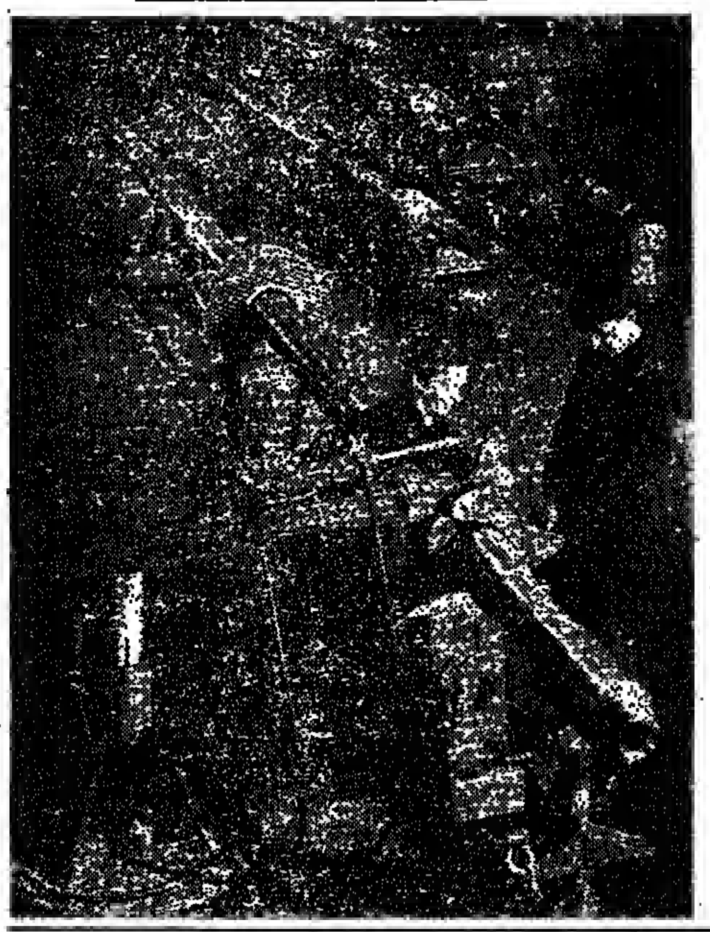
The Printrak equipment uses modern solid state storage and logic to make automatic comparisons of prints. First, the finger print image is read directly from card or paper input. It is scanned and each picture element in each line given a digital code, which is stored.

Minute detail can then be examined by the machine. It looks for bifurcations (splitting of fingerprint ridges) and for ridge endings and marks their positions on the image, holding them also in storage. In addition, it maps out the directions of the ridges at the above places and memorises them, too. Thus, a map is held in store of points marked with vectors.

It then becomes a relatively straightforward matter for the computer to match this map with any other with which it is presented. Statistical correlations are carried out, so that the machines might produce, say, two or three best matches.

Because the system uses only a comparatively small amount of data, "boiled down" for each print, it can he sent over a telephone line to a remote location fairly quickly and cheaply.

Printrak scans each new individual print in less than one second. In that time it enhances the image to give better contrast between the dark and light areas, edits out parts of the print that are unreadable and carries out the detail plot.



Jarring the oil drillers

AN ADVANCED oil-drilling tool which, it is claimed, has a combination of features not found in other equipment of its type is to he marketed in Europe hy Weir Houston Engineers of Aherdeen. The company is jointly owned hy Weir Pumps of Glasgow and Houston Engineers based in Dallas.

The Hydra-Jar (pictured left) is a heavy duty impact tool which forms part of the lower drilling assembly of the drill string. It delivers high impact forces to release elements which become stuck during drilling operations.

The designers say that it is the first hydraulic double acting jar (able to jar up, up and down, or down only).

The unit is designed to operate in deep holes for long periods in the most severe conditions and can he used for on or offshore operations.

The Hydra-Jar is available in a range of five sizes with outside diameters from 4¾ to 9½ in. Working loads are from 75,000 to 210,000 pounds. More from 0224 770707.

Liquid valve

THE Roll Seal valve consisting of only two components—a one-piece cast stainless steel body and an elastomeric liner—has heen designed for liquid control in the chemical processing, water supply and hrewing industries.

It is available in seven sizes with interchangeable flanges. Full technical details from SIHI-Ryaland Pumps (061-928 6361).

German lathe

A West German huilt lathe, the MSC 1.2 twin spindle model has been added to the EMAG range of CNC turning machinery hy Warner and Swasey of Birmingham (021 622 1531).

The machine can accommodate chucks up to 200 mm diameter, produce components up to 160 mm diameter, and the handling system can manipulate parts up to 8 kg.

Sound cleaner

A method of cleaning venetian blinds using sound energy to dislodge grease and dirt has been announced by Gateshead company, Sonic Clene. The unit costs £6,000 and machines have already heen exported to Japan and the U.S.

The company is hoping to build about 350 units a year. More on 0632 888169.

Veg grader

A large capacity version of the Cranford in-line vegetable grading system has heen designed with a dump/feed box section with an access width of nine feet to handle produce delivery trailers at the maximum permitted road width.

Cranford is at Mere Platt, Knutsford, Cheshire. 0565 2581.

Implanting ions at Lucas

THE Lucas Research Centre at Shirley, West Midlands, is about to take delivery of one of the first two industrial ion implantation machines to be built.

The machine, which cost £100,000, was built hy Hawker Siddeley and is a development of an early prototype made at the Atomic Energy Research Establishment, Harwell, and is specifically designed as a commercial industrial machine for treating engineering tools.

High energy

Lucas claims to he the only company in the world carrying out the ion implantation process.

If a steel material is subjected to a bombardment of very high energy (100 keV) nitrogen ions, a layer of "nitrogen implanted" material will build up just beneath the surface of the steel.

This layer is very hard and helps reduce the wear rate of tool materials.

Lucas reckons, for example, that a nozzle used in plastic moulding went from a life of eight weeks to one of two years (and is still in working order).

The treatment could be employed for the materials used for press tools, cold stamping tools and lamination tools as well as for plastic moulding tools.

It is suitable only for the material for some cutting tools hecause when a temperature of 450 degrees C is reached the ions diffuse out.

Finished tools

The advantage claimed for ion implantation are that, since ions are implanted into rather than plated onto the tool, no significant dimensional changes occur. So the process can be applied to finished tools.

Because the process is a low temperature technique, tools do not require post processing heat treatment.

Lucas intends to develop the ion implantation process at its research centre to exploit the possibilities the initial work has already highlighted. These developments offer the prospects of reduced friction, wear and corrosion plus extensions in fatigue life.

More from Lucas on 021-554 5252 extension 53.

KENNETH GOODING

هكذا من الأصل

A rail town fears end of the line

Philip Bassett looks at the mood of workers as Shildon faces BR cuts

TWELVE O'CLOCK. Outside a factory gate, few people stir in the grey Friday heat. Suddenly, from the gates pours out a stream of blue-overalled figures, who swarm across the road to the working men's club.

Inside, though, the end-of-the-week feeling is tempered by the grim reality of looming unemployment. For this is Shildon, County Durham, a town facing a death sentence.

BR, already faced with further trouble from the train drivers' union over flexible rostering, has enraged the more moderate National Union of Railwaymen with its plans to close the engineering works at Shildon by April, 1983, with the loss of 2,600 jobs. The NUR has given warning of its intention to take industrial action from June 7 over the issue.

The effect of the closure of "the shops" as they are universally known in Shildon, will be devastating. A new report prepared by Durham County Council estimates that male unemployment in the Bishop Auckland area, at present 17.5 per cent, will rise to 30 per cent if the shops close. In Shildon itself, it will soar from 14 to 50 per cent—the highest single mainland unemployment rate.

Shildon is a railway town in a railway area. Down the road is Darlington where George Stephenson's first train stands proudly in the railway museum. A little further on again is Northallerton, birthplace of the young Sid Weighell, who grew up to become NUR general secretary. Mr Weighell used to play football for Shildon's neighbour, West Auckland, and his mother still lives in Northallerton.

Shildon itself is steeped in railway history. As a brass plate bung outside the shops proclaims "from Shildon, near this site, the Stockton and Darlington Railway Company, on the 27th September, 1825, ran the first passenger train drawn by a steam engine."

Across the road from the gates stands a pub called the Locomotive. Along the way is another, The Timothy Hackworth named after the great railway engine builder.

Many of the workers in the Shildon shops followed their fathers and their grandfathers there. For many, the prospects of their sons following them was as natural and inevitable as growing up.

Now all that history is to be rudely cast aside. For the workforce—500 of whom planned a protest march in London yesterday over the closure—the feeling is one of outrage mixed with injury. In and around the large Shildon working men's club, craftsmen proud of their work talk of Shildon's record.

They talk of its good industrial relations, and tell you how BR Engineering Ltd (BREL) invited shop stewards from Shildon to visit its other works to explain to workers there how flexibility and cost-cutting helps improve competitiveness.

The Government accepts these points. Mr Reg Eyre, Transport Minister, in a Commons debate on Shildon earlier this month said that Mr Derek Foster, Shildon's local MP, had "touched upon the efficiency of Shildon as a workshop and the impressive performance of the work people. I should like to be associated with those remarks which are generally accepted as true and justified."

Shildon workers are calling for further investment in the railways, insisting that if rolling stock is not replaced, the system will simply collapse. They have proposed an alternative to the Shildon closure suggesting that all 12 of BREL's workshops around the country should be slimmed down and the work spread over them all.

Technically, this would be difficult. Wagon works, for example, cannot easily be adapted to making carriages. In any case BR argues that this proposal would only threaten the continued viability of all the plants rather than just Shildon, Horwich in Manchester and part of Swindon, which are all affected by the present cuts.

Shildon workers blame the Government. The more cynical point to the fact that Shildon is a staunch Labour area. Perhaps significantly though, there is among them little of the personal venom towards Sir Peter Parker, BR chairman, which has been so clearly displayed by many BL workers towards Sir Michael Edwardes over his planned closures.

Accordingly, the Shildon campaign has been about investment and about cost. Local union leaders argued that local authorities will lose about £700,000 in rates from the closure. Taking Treasury figures, they show that the cost of 2,500 long-term unemployed will be about £12.5m a year, even without the cost to BR of redundancy payments. They say the cost of winning each replacement job to the north-east will be about £10,000 a time.

Many see the example of the derelict steel town of Consett, less than 20 miles away, as a clear indication that such hard facts will not wash with this Government. Some also doubt the NUR's ability to win the campaign, and point to the failure of the union's efforts last year to stop the closure of the Manchester-Sheffield-Wath line.

But their faith in themselves and in the main in their union is strong. As Mr Roy Jones, Shildon branch secretary, said of the campaign against closure: "It doesn't take a brilliant man to take his jacket off and start throwing his weight around. What we will do we will do in an orderly way. But we will do it and we will win."

BR says workshop cuts essential

We are carrying 6,000 people too many, says a BREL personnel director. Hazel Duffy reports

THE CASE put by British Rail Engineering Ltd (BREL) for the loss of 6,000 jobs out of a total 34,500 is stark but simple: "We are carrying 6,000 people too many on the basis of forward ordering," says Mr Alan Dunkley, BREL personnel director. "The question is, how is the misery to be spread?"

The preferred option of BREL managers is the closure of Shildon (2,450), withdrawal of rolling stock repairs at Horwich (1,650), reduced levels of activity and manpower at Swindon and Derby locomotive works (1,500 and 400 respectively).

The implementation of this option, they claim, will save BREL £50m between 1983 and 1986—after taking into account £20m redundancy costs — and £18m a year after that date. Spreading the cuts over the 12 BREL workshops, as the Shildon workforce proposes, would be very much less advantageous, says management.

The overcapacity throughout the engineering group, which is particularly evident in the wagons section, has not occurred overnight. The problems began to surface in 1980, when it was proposed to close the Ashford workshop in Kent, which was carried out recently.

It has fallen to Mr Philip Norman, managing director of BREL for only a few months following his departure from the machine tool division of John Brown last summer, to push through the most painful part of the programme, particularly the closure of Shildon.

BREL, a wholly-owned subsidiary of British Rail, exists mainly to serve its parent. It has had some success in winning exports, but the competition is tough and its prices frequently out of line with those being offered by developing countries like India which have their own railway - building industries. Only 5 per cent of BREL's business is for export, although the aim is to push this up to 15 per cent within a few years.

The workload consists of maintenance and repairs, and the building of new locomotives, carriages and wagons. About £330m of the group's £480m turnover is maintenance and spares, and 80 per cent of the workforce is engaged in this sector.

BREL says that the switch to more sophisticated equipment—locos, passenger and freight carriages and wagons — has led to a drop in the need for maintenance and repairs. This is because the fleet itself has been reduced — the High Speed Train, for instance, averages four times the mileage annually of the conventional diesel main line loco — and the equipment itself neds less maintenance.

Passengers may remember that a few years ago BR was suffering from severe problems because its workshops lacked sufficient capacity to maintain the locomotive fleet, but these locos have now been largely replaced.

The overcapacity problem is particularly acute for wagons. BR has a wagon repair capacity of 35,000 (Shildon alone has the capacity to repair 20,000 wagons a year) and a forecast requirement by 1986 of only 8,000-9,000. There are no orders for new wagons for next year, and beyond that, says BREL, future needs are insignificant in relation to capacity.

Sildon, which has been commended for its efficiency in the past and made a net profit of about £730,000 last year, will make a small loss in 1982 and a £2.2m loss in 1983. The redundancies at Horwich arise mainly because it has taken overloads in the past which are no longer necessary. Only the foundry and spring shop will be retained.

The one area where BREL might find new markets, as well as exports, is the privately-owned wagon sector, where BREL has supplied only 250 out of 1,300 wagons bought in the last three years. But, says BREL, in the main it cannot compete because most are of a specialist design well suited to the privately-owned wagon builders.

BR, desperately looking for workforce cuts as a way of boosting efficiency at a time when changes in working practices have been largely unattainable, will keep looking to BREL to achieve some of these cuts.

Labour 'has place for Marxists'

MR JIM MORTIMER, general secretary elect of the Labour Party, yesterday told the annual conference of AUEW-Tass that "the transformation of our society and the replacement of capitalism by socialism" were needed. There was a place for Marxists in the Labour movement, he said.

The left-wing white collar union's conference condemned the Labour Party's investigation into the Militant Tendency.

Murray steps in

Mr Len Murray, TUC general secretary, has intervened to avert a strike over pay and conditions by National Union of Journalists officials, due to begin today.

The 15 officials will be urged to accept his proposal to refer the dispute to the Advisory, Conciliation and Arbitration Service, for conciliation and possibly arbitration.

Labour elections

A report in yesterday's FT said in error that votes by Britain's "six largest unions" in future Labour leadership elections could be determined by non-payers of the political levy. This should have read the "sixth largest union," the Association of Scientific, Technical and Managerial Staffs.

Refinery action

Disruptive action by 760 process workers over an 8 per cent pay offer was begun yesterday at Esso's Fawley refinery, Hants. They are refusing to co-operate with new efficiency measures.

Health authorities tell ministers to relax tough pay policy

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT is coming under strong pressure from some regional health authority employers to relax the tough line on health workers' pay which has provoked the current industrial action.

This clear support for the unions' case from such an unexpected quarter will severely test ministers' determination to resist the increasingly disruptive strikes by the 14 national health service unions.

The North-West Regional Health Authority has been the most forceful critic of the Government's line.

The authority put its views to other regional authorities at a recent meeting in London. It is understood that many were in agreement with the North-West.

Sir Sydney Hamburger, chairman of the North - West authority, wrote to Mr Norman Fowler, Health Secretary, after meeting the region's 19 district authority chairmen. They unanimously instructed him to protest at the divisive nature of the 6.2 per cent pay offer to nurses and the 4 per cent offer to ancillary and other workers.

In his letter, Sir Sydney says that his chairmen "do not want to be involved in any further turmoil which could be avoided and while they do not condone strike action they are in sympathy with staff whom they consider are being treated unnecessarily harshly."

Referring to the Government's 4 per cent cash limit pay provision for the health service, he says: "Now that a number of concessions to the pay limit have been made both in the public sector and in the NHS, chairmen feel that it is only right that the Government should adopt a more flexible approach to others working in similar posts."

Yesterday, Sir Sydney said the authorities were not protesting about the size of the offers but about the difference between them.

He said that if there had to be different offers one would have expected that those lower down the pay scales would have got more and those higher up would have got less. The Government had in fact taken the opposite course.

Health service union leaders yesterday attempted to repair the apparent split over tactics in the current dispute which followed Monday's decision by the National Union of Public Employees to press for an all-out strike.

The differences are still expected to emerge at today's meeting of the TUC general council but yesterday Nupe and the General and Municipal Workers' Union, which attacked Nupe's strike decision, tried to present the row as a misunderstanding which would not impair the unprecedented unity of the 14 unions in their campaign for a 12 per cent increase.

Further support for the NHS workers is expected to be announced today by Nupe leaders who will disclose at the union's conference in Scarborough that the Fire Brigades Union has promised support "both physically and financially."

Post staff will fight to keep 2nd delivery

POSTAL WORKERS will fight any attempts to phase-out the second delivery — with strike action if necessary, David Goodhart reports from Bournemouth.

The postal section of the Union of Communication Workers' conference overwhelmingly backed a motion from Liverpool Amalgamated yesterday which called for industrial action to stop the second delivery being phased out or restricted to businesses.

Mr Maurice Styles, assistant general secretary, said: "We declare to the British public that we are fighting to defend the postal service in Britain."

The executive of the 200,000-strong UCW was unexpectedly defeated on an amendment to another motion which called for no extension of the inward mechanised code-sorting system until an agreement on extra payments is reached.

But the executive report on the Household Delivery Service of commercial literature was accepted despite objections from many delegates. The report recommends accepting payment of £12 for every 1,000 items delivered. An amendment calling for local branch consultation was accepted.

A special report on increasing the productivity of postal officers and postal assistants was also narrowly accepted.

More councils face privatisation action

BY JOHN LLOYD AND BRIAN GROOM

A CAMPAIGN of industrial action in local authorities which use private contractors for their services has been agreed by the General and Municipal Workers' Union, the main local authority manual union.

The GMWU's stance, taken together with a similar decision by the National Union of Public Employees at its conference in Scarborough, is a boost to 200 dustmen in the London Borough of Wandsworth. They are in the sixth week of a strike over the Conservative-controlled council's privatisation plans.

An emergency motion to the GMWU's annual conference in Eastbourne yesterday authorises the union's executive to "call for supportive action in our public services and utilities membership . . . to ensure a speedy and successful conclusion to the dispute."

An all-out strike by Wandsworth's 3,000 manual workers may close all services from next Monday if the council tomorrow night endorses a decision by its establishment committee to dismiss strikers.

Strike leaders claimed yesterday that up to 600 manual workers were now on strike. The council put it at over 300. Some 3,000 flats were without hot or cold water, the strikers claimed.

The strikers also believe the action will spread across London. Mr Ian Scott, Nupe district official, has sent a letter to branches asking them to draw up plans in support of Wandsworth. Strike leaders say they have already received some promises of action in sympathy with them.

Benefit limit proposed for jobless school-leavers

BY BRIAN GROOM, LABOUR STAFF

UNEMPLOYED school leavers who refuse to take part in the proposed Youth Training Scheme should be allowed supplementary benefit for only six weeks, an advisory body has said.

The suggestion comes from Sir Arthur Armitage, chairman of the Social Security Advisory Committee, in a letter to Mr Norman Fowler, Social Services Secretary. The committee advises on social security matters.

The Government's insistence that these 16-year-olds should be denied benefit has emerged as a source of contention with the Manpower Services Commission, which wants the benefits retained as a cushion for school leavers who do not obtain places on the scheme for whatever reason.

"We believe that the simple and necessary solution is that most school leavers who are not on courses should remain eligible for supplementary benefit on the present terms, although we would be prepared to see a six-week limitation of benefit for those who unreasonably refuse suitable training on the lines of that which already applies for unemployment benefit," Sir Arthur writes.

The committee is impressed with the MSC's proposals, and agrees with its recommendations about the level and inflation-linking of the training allowance and its stress on the voluntary principle.

Sir Arthur said these avoided many of the difficulties which would have arisen from the earlier White Paper proposals and would enable adequate incomes support to be given simply to help families and participants.

His proposal on supplementary benefit would ease the hardship for young people waiting to take up training places

Union puts 2-year ban on former president

By Our Labour Correspondent

LEADERS OF the National Union of Public Employees have suspended the union's immediate past president from holding any union office for two years following allegations that his conduct had brought the union into disrepute.

The unprecedented row within the union over the suspension of Mr Philip Jones, last year's Nupe president and a long-standing member of the union's executive committee, is likely to be raised today by delegates at the union's rules revision conference in Scarborough.

Mr Jones is appealing against the suspension. His branch, Birkenhead General, is also appealing against it —though on the grounds that the disciplinary action against him did not go far enough and that he ought to have been expelled from the union.

The main cause of the charges against Mr Jones and another member was that he tried to set up another branch of the union in direct competition.

This followed a considerable period of strain between the branch and Mr Jones, who was branch secretary and chairman of his Wirral Nupe district committee. Left-wing branch members disagreed sharply with Mr Jones' more moderate political stance.

This led to his own branch refusing to nominate him for election, and instead backing a rival candidate, Mr Stephen Balmer, who broke with a long-standing practice by challenging Mr Jones for the seat.

Mr Balmer was eventually elected by 377 votes to Mr Jones' 215.

The organisational subcommittee of the union's national executive, after a fierce row, recommended that Mr Jones be suspended

NATIONAL INSTITUTE REVIEW

Recovery from recession 'is the weakest upturn for 25 years'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE MODERATE recovery in economic activity which began last spring came to a stop in the winter, but this does not mark the beginning of a downward trend, says the NIESR's May review, published yesterday.

The institute's post-Budget forecast continues the sombre themes of its previous forecasts—that recovery will be extremely weak, that unemployment will continue to rise and that real take-home incomes will decline further this year.

The institute continues to be highly critical of the Government's monetary policies, but whereas previous reviews have analysed the need for a more reflationary strategy, the May issue includes theoretical criticisms of the basis and operation of monetarism.

Its review of the economy starts with a detailed analysis of the shape of the recovery in its first nine months compared with what happened in the early phase of previous recoveries. It notes that industrial production, which had pitched up in the summer, fell off at the turn of this year.

"Although output during this period was affected by strikes and unusually severe winter weather, there was only a modest rebound—a rise of ½ per cent—in February, when output was 1½ per cent lower than in October and only 1½ per cent higher than its low point of May last year."

It says the pattern of forces behind this break in economic recovery is not yet clear, partly because of the continued absence of figures as a result of the civil servants' strike last year.

To put the present recovery in perspective, the institute has analysed the pattern of five previous cycles. It pinpoints the troughs of activity of these cycles in October 1958, January 1963, August 1967, January 1972 and August 1975.

The institute has followed the path of recovery of industrial output at three-month intervals after each trough and averaged the results. This shows that recovery three months after the trough of the current recession was less than half that of the average three months after the five previous troughs. Nine months after the most recent trough, industrial recovery was only a quarter of the average from past cycles.

Moreover, recovery from the recent recession has been weaker at every stage than in any of the previous five. The analysis also demonstrates that the current recession has been much deeper than any of those preceding it, even that of 1975 in which output was still nearly 7 per cent below its previous peak nine months after the recovery had started.

It says the current recovery is the weakest for 25 years and odds: "There must be some doubt as to whether the period since last spring should be considered a genuine recovery at all. The decline in output between October and January has given the recession a double-bottomed appearance, with two troughs, about equally low, separated by a mild upturn."

The institute describes the March Budget as only marginally reflationary, and says the effects of its departures from "unchanged policies" were to inject about £250m into the economy in 1982/83 and £300m in a full year.

It says the most important Budget proposal was the cut in the National Insurance Surcharge by 1 percentage point, although the economic effects are difficult to predict. It believes a considerable proportion of the cut will be used by companies to rebuild their liquidity. A small stimulus to stockbuilding might be given, but there would be little effect on fixed investment.

It says: "None of the other Budget proposals is expected to have a significant effect on the prospects for the real economy." The total effect on output resulting from the Budget changes is only to add a tenth of a percent to national output, the institute believes.

It notes that the Chancellor and the Treasury have been critical of the simple approach to Budget arithmetic which tries only to estimate the immediate impact on demand of a fiscal stance.

It admits that this approach ignores many complexities, but argues that the simplicity is an advantage, because it makes the economic logic of Budget measures intelligible to laymen. The alternative, subjecting Budget measures to a complicated computer analysis, is also open to objection, as the equations used for this analysis may not be specified accurately enough for the purpose.

The institute challenges the Treasury's view that policy should be seen in terms of the actual public borrowing requirement rather than a borrowing requirement adjusted for the state of the economic cycle. The institute believes that the pursuit of unadjusted public borrowing targets has a destabilising effect on the economy.

Finally, the institute disagrees with the emphasis which the Chancellor placed on the link between controlling the public sector borrowing requirement and the reduction of interest rates.

It says: "Theory would not predict a simple association between the PSBR as a percentage of GDP (output), the fiscal target in the Medium Term Financial Strategy and the level of interest rates."

It says that, since public borrowing has fallen as a proportion of output during the past three years, "it is prima facie rather difficult to attribute the high interest rates of this period to the effects of Government borrowing."

On the move from a single monetary target (sterling M3) to a less specific target range for four different monetary variables, the institute says:

"The different measures of the money supply have often moved in a grossly contradictory fashion, and it is more than possible that the targets for the different aggregates will turn out to be incompatible."

It believes that the exchange rate would be given priority over the money supply objectives if sterling came under serious pressure.

It concludes: "There is no longer any presumption that the authorities would respond as a matter of course to breaches of the target range."

The institute believes the adjustment of stocks to more normal levels is now almost complete but, given the weak increases in demand, the rate of stockbuilding is expected to increase only slightly.

"The modest upward tendency in output in the forecast is produced by higher exports, in response to renewed expansion of world trade, and an upturn in private investment." However, it says that, in view of the moderate output growth and widening margin of surplus capacity, the rate of increase in manufacturing investment predicted for 1983 compares unfavourably with that in previous cyclical upturns.

The institute is sceptical about the Government's ability to contain public expenditure for the current year to the cash figures given in the public expenditure White Paper.

It says the official assumption of a 4 per cent public sector pay rise is over-optimistic, and that an increase of the order of 8 per cent is more likely. As a result, it expects the cash figures to be overrun by some £1.5bn, a figure which is two thirds of the unallocated contingency reserve.

The institute is also sceptical about the White Paper's assumption that nationalised industries will be able to generate enough funds to expand capital investment while Government lending is sharply reduced.

A continued strong balance of payments is expected, even though the institute is not very optimistic about the prospect for exports this year. It expects the rise through the year to be only 1½ per cent, but since exports started the year well above the average for 1981, the year-on-year rise is predicted to be 3½ per cent.

The outlook for imports is similarly rather gloomy. Figures delayed by the civil servants' dispute now suggest that there was a very sharp jump in the volume of imported goods in the middle of last year.

For the whole year, it is estimated that imports rose by 9 per cent compared with the previous year. "Next year, after some loss of competitiveness, they are forecast to grow more than twice as fast as final demand."

Falklands repercussions

THE economic repercussions of the Falklands crisis have been small so far, says the institute.

Confidence in sterling weakened in the period immediately following the Argentine occupation, when substantial Bank of England intervention in the foreign exchange market appears to have been necessary to stabilise the rate. Confidence was subsequently restored and it is not at all obvious that the exchange rate is currently lower than it would have been.

"The direct impact on UK trade of the embargo on exports to Argentina will be negligible in the aggregate (in 1980, 0.35 per cent of total UK exports went to Argentina and 0.22 per cent of imports came from there)."

The Forecast in Summary

percent change year on year unless otherwise stated

	1981	1982	1983
Real GDP	−2.8	1.0	1.1
Real personal disposable income	−1.9	−1.3	0.4
Unemployment (m, fourth quarter)	2.8	3.0	3.3
Retail Price Index	11.9	9.5	8.7
Balance of payments, current account £bn	7.8	6.2	8.6
Public sector borrowing requirement £bn	8.6	7.9	7.1
Consumers' expenditure	0.0	0.2	0.2
Gross fixed investment	−7.6	0.9	3.7
Imports of goods and services	−1.0	7.4	3.3
Exports of goods and services	−1.1	2.7	4.0

Industrial nations' growth forecast at ½%

BY DAVID MARSH

OVERALL ECONOMIC growth in the main industrial countries is likely to be no more than about ½ per cent this year, mainly because of the further postponement of the long-awaited upturn in the U.S., according to a section on world prospects in the national institute report.

An improvement is, however, expected next year, with the overall gross domestic product of the OECD area predicted to rise by 2.8 per cent.

Industry in the OECD countries may have produced less in the first quarter of 1982 than in any quarter of 1981.

Unemployment is still rising in North America and all the major countries of Western Europe, as well as most of the smaller ones.

The institute forecasts that the increase is likely to go on for some time. OECD unemployment in 1982 is predicted at 7.7 per cent of the Labour force, against 6.8 per cent in 1981 and the average of 4.5 per cent during the whole of the 1970s.

The gloomy picture for output and employment is partly offset by better prospects for inflation. The institute expects OECD consumer prices to rise at just under 8 per cent this year, well down from 10.5 per cent last year. The rate is expected to fall to between 7 per cent and 7.5 per cent in 1983.

Lower average commodity prices this year and, in real terms, probably again in 1983 should contribute to the price improvement.

Output prospects for 1982 vary from country to country. The institute expects growth in Japan to be faster than most forecasters are predicting—at 3.5 per cent to 4 per cent. Falls of 1 per cent to 1.5 per cent in North America will be roughly balanced by rises in Europe.

Some general revival in the second half of 1982 should boost total OECD output by the fourth quarter to 1.5 per cent to 2 per cent higher than it was at the same time last year. Growth in 1983 is forecast at between 2 per cent and 2.5 per cent for both North America and Western Europe. Higher growth in Japan is expected to push the figure for the whole OECD area to just above that range.

The institute expects the current Opec price range to remain substantially in force up to the end of next year. The average Opec price may even recover a little towards the end of this year before settling in 1983 at a somewhat higher level of around $35.50 a barrel.

Total demand for Opec oil this year is predicted to fall by more than 10 per cent.

As a result of the oil price and volume declines, Opec export revenues are expected to fall by almost $50bn this year, following a fall of close to $30bn.

As a group, however, Opec is still in surplus. The institute forecasts that the Opec surplus will fall to $56bn in 1982 from $103bn last year.

The OECD countries were close to collective balance on current account towards the end of last year, and are now expected to move into substantial surplus, predicted at $31bn in 1982, against a deficit of $20bn last year.

100 issues of Review

TO MARK the National Institute Economic Review 100th issue, five articles by former editors were commissioned, with an introduction by Mr David Worswick, the director.

He contrasts the present "turmoil of contemporary dispute" on economic issues with consensus prevailing in the 1960s.

He says this harmony may seem somewhat exaggerated now.

In this environment "there is concern about the economy and a feeling that economists no longer know what they are about . . ."

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Steel productivity doubts raised

BY IAN RODGER

PRODUCTIVITY IN the British steel industry's public sector improved dramatically in recent years due to substantial investment in large-scale and technologically up-to-date plant and to cuts in the labour force.

Mr Jonathan Aylen of Salford University wonders however, in a study of plant size and efficiency in the UK, West Germany and U.S. steel industries, if other factors will prevent UK productivity catching up with levels in the two other countries.

Mr Aylen estimates that by the late 1970s German steel industry productivity reached the U.S. level. UK performance was still well behind but between 1978 and early 1981 British Steel Corporation's productivity improved by 20 per cent, twice as fast as the German industry, while in the same period U.S. steel productivity fell by 5 per cent.

In the U.S., even though companies have not maintained investment, a high level of labour- and capital-productivity was sustained by competition.

Mr Aylen examines both overall works size and the size of individual plant units in each works. He says management-control and labour relations are perhaps most affected by works size while technical economies of scale accrue largely to individual plant units.

The median size of works in Germany and the U.S. is similar in spite of the smaller size of the German market. "It is also striking that Germany has so few small works, fewer than 200 compared with nearly 400 in the U.S. and approaching 700 in Britain."

In Britain nearly a quarter of the steel labour force is employed in works with fewer than 1,000 employees, compared with 7 per cent only in Germany.

Labour productivity in iron and steel, 1975

	Britain	West Germany	U.S.
Industry net output	£1.1bn	DM1.6bn	$14bn
Employment	240,000	280,000	490,000
Exchange rate for steel products	—	DM5.8/£	$2.3/£
Net output per employee	£4,600	£10,000	£12,100

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FINANCIAL TIMES SURVEY

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Kielder Water Project

Europe's biggest man-made reservoir — today being opened by the Queen — is as controversial today as it has ever been. Critics say that with the decline of heavy industry Kielder is not now needed. The Northumbrian Water Authority is however still convinced it was right to go ahead with the project.

Demand fall-off renews doubts

By Nick Garnett

THE £167m KIELDER dam and water transfer system was conceived more than 10 years ago as a means of shifting water from the high rainfall areas near the Scottish border to the big population and industrial zones in the north east of England.

In size and complexity it represents one of the most significant construction projects undertaken in the UK.

It involved the huilding of what is claimed to he the biggest man made reservoir in terms of volume in Western Europe. The huilding of the tunnels through which water will flow between the three river systems represented the first operation of full-face tunnelling machines in hard rock in the U.K.

At the same time the Kielder dam, 27 miles in circumference and set in the Nordic-like Kielder forest, has given the northeast outstanding new recreational facilities.

But for the Northumbrian Water Authority's planners and forecasters, there has been an unpleasant twist in the tail. The supply and demand mathematics on which Kielder was hased have heen upset hy the recession and the decline of heavy industries. The projected upsurge in demand which was threatening rapidly to outstrip the authority's ahility to supply adeqnate volumes of water will not take place with the result that the arguments over the scheme during its planning stage in the early 1970s have heen resurrected.

With 41hn gallons in the reservoir the Kielder system has a potential on its own to supply 200m gallons a day on top of the 250m or so naturally availahle from the area's rivers.

At the moment, bowever, the region is undecided whether it needs water from this new supply, and projecting further demand is, as history shows, a tricky husiness.

The water authority has been unfortunete in heing so vulnerahle to the effects of recession. Whereas in the UK as a whole some 40 per cent of water is consumed by industry, in the northeast almost two-thirds is taken hy manufacturing.

Low charges

The cost of the project — £105m of the money has heen horrowed—has heen translated into a rise of 10 per cent on the hills of domestic consumers and 15 per cent for industrial users. The water authority still claims to have the lowest charges in the country.

In the long term, the water authority appears confident that the heoefits of Kielder will he apparent and that it ensures adequate water supplies for many decades.

"It was designed to secure the prosperity of the region well into the next century and provide a unique recreational area for the fast increasing tourism husiness in the north east," says Sir Ralph Carr-Ellison, the water authority chairman. "It gives maximum resource advantage with minimum social disruption."

Three broad factors influenced water resource planners in the north east during the late 1960s and these led directly to the inception and construction of the Kielder system.

● First, there was the helief that the existing water supply would soon he outstripped hy demand, largely as a result of what was then a rising need from industry.

In the 10 years to 1971, demand rose from 140m gallons to 203m a day. The projection was that hy the end of the decade it would have shot up to 370m gallons. This was for a region, the water supply system of which had a capacity of only 257m gallons daily.

The water authority says these projections were not taken out of thin air hut arose both from consultation with industry oo its needs and from the evidence of investment programmes.

The British Steel Corporation, which was spending large sums at its works on Teesside informed the authority that it alone expected its demand in the 1970s to rise hy 34m gallons a day.

ICI takes about a sixth of the authority's whole supply of treated and untreated water and was also predicting growth in its demand. Teesside as a whole accounts for half the water consumed in the region and 70 per cent of that is sucked away by industry.

These assumptions were holstered hy predictions from the Water Resources Board that there would he a douhling of water demand natiooally in the 30 years after 1970.

● Second, apart from assessing that by the early 1980s existing water resources would he exhausted, authority planners decided they had to guarantee needs for decades to come as a means of attracting new iodustry. The guarantee of water for steel, chemicals, and other massive users was seen as a vital part of the region's infrastructure.

● The third factor has been the national and local political environment. The Water Resources Board decided some time ago on ao policy of huilding seven major reservoirs, of which Kielder was to be the first.

At the same time there was local environmental opposition to the construction of a number of small dams in the north-east. The water authority says it would not have been allowed to huild such dams if it had wanted to.

More recently, however, the national big reservoir scheme has heen ahandoned and the north east's industrial hase has suffered a series of traumatic contractions as a result of recession and long term structural change.

Domestic water consumption —growing at 2 per cent per year—has been hroadly in step with forecasts hut industrial needs have slumped seriously.

The water authority now has three projections. In the middle consumption is forecast at just under 300m gallons per year, whieh would mean the transfer system in active use.

There is an upper projection of 400m gallons which seems unlikely to he attained—and a low projection that demand will remain at the present level of 250m gallons daily for the next two decades. Major closures of chemical installations at Wilton, Teesside, could however lower even that projection.

One ominous pointer is that for the first time in decades demand actually diminished in 1980. In the previous year the water authority had technically a lower margin of supply—a 5 per cent surplus based on dry conditions—than at the moment when there is a 10 per cent margin even without the use of Kielder. All this bas heen ammunition to the scheme's critics.

Defensive

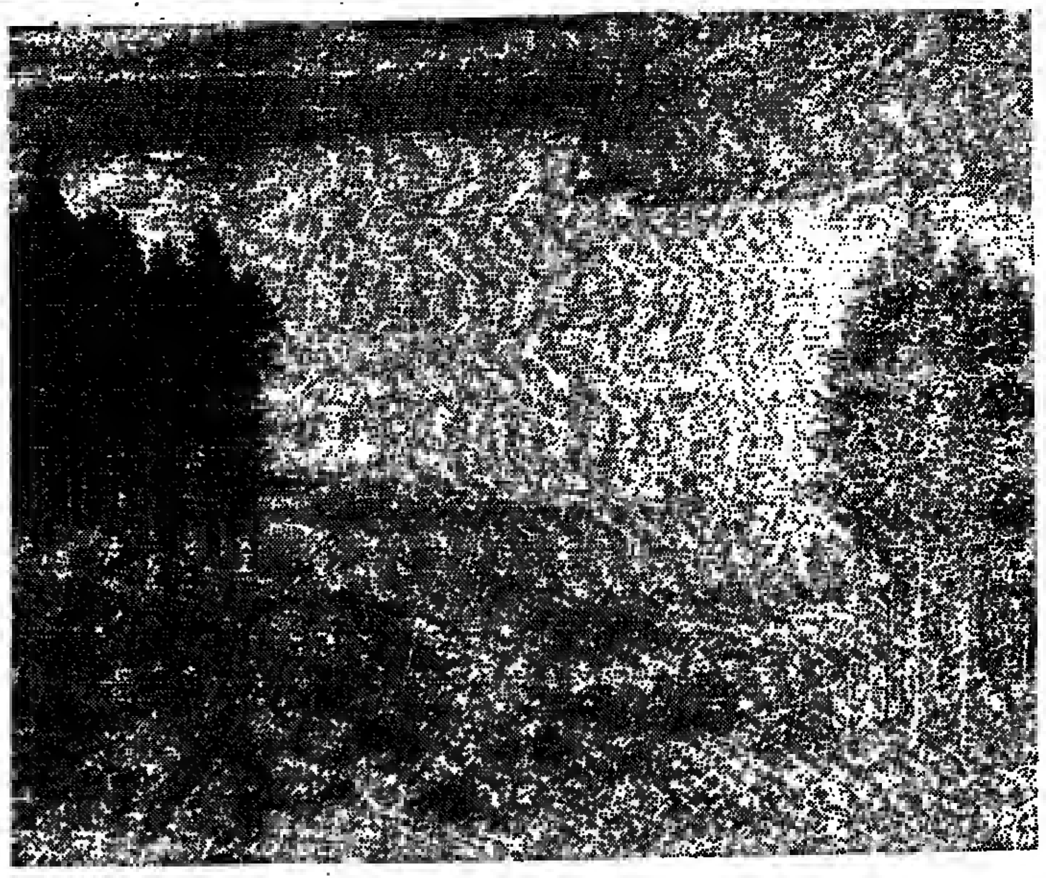
Mr Frank Ridley, the authority's chief executive, admits that he and senior administrators have heen put on the defensive by the turn of events. But the water authority makes a strong defence of the scheme on a numher of grounds. Firstly, they argue it would have been irresponsible for the authority not to have pressed for Kielder when all the national and local industrial indicators pointed to its need.

The authority poiots out that given the need for some increase in water supply, it would bave had to build at least three smaller reservoirs if it had not proceeded with Kielder.

A system hased on Kielder with a much smaller potential capacity would again heve failed to make any real significant cost savings. Half the capacity of the reservoir is in the top 10 metres of a 55 metre deep lake.

The authority argues that the Kielder system will eventually he needed and that the deep cuthacks within industry simply mean the time period over which Kielder will be sufficient on its own to boost the natural river supply will be extended well into the next century. The system is an integral part of the region's infrastructure and does ensure any industry seeking a home in the north east that water is available.

There are some useful by-products. The presence of the dam will remove the top off any flooding in the north Tyne river. The reservoir will also he used to improve the summer flow of the Tyne. Indeed, the authority was within an ace last year of issuing water into the river to maintain flows during a particularly dry spell.



Left: The final touches are put to the three-quarters of a mile long Kielder Dam as a lake forms inside. Right: Kielder Reservoir, situated in one of the largest man-made forests in Europe

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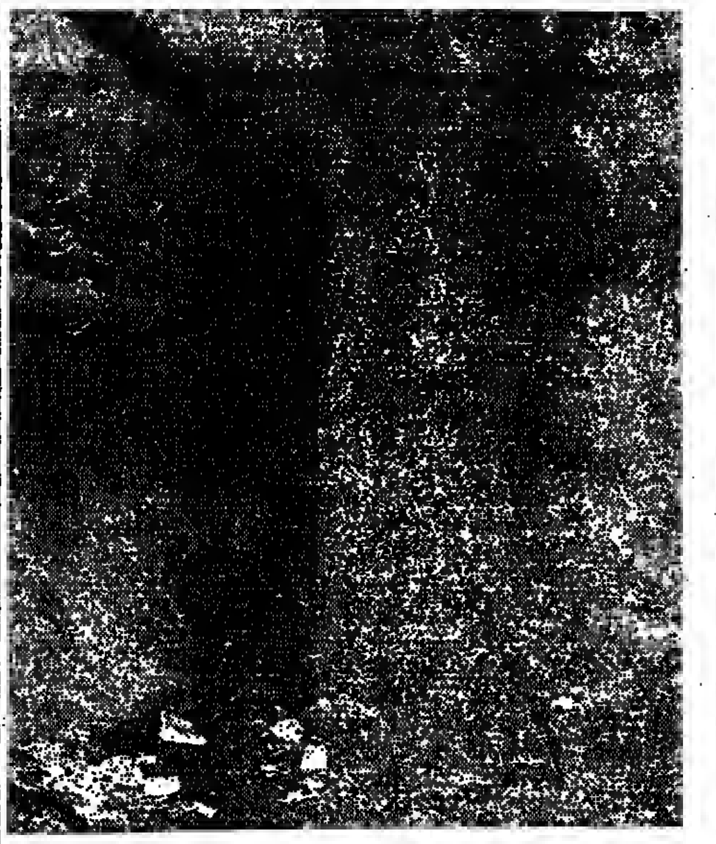
KIELDER WATER PROJECT II



Above and left: drill and blast techniques and full-face tunnelling machines were used on the project. Below: the Demag tunneller

Reservoir designed to add beauty to the area

THE HEADWORKS of the Kielder Water Scheme lie in the remote North Tyne Valley between the villages of Falstone and Kielder about 35 km north west of Hexham.

Kielder reservoirs formation has displaced 42 homes, all owned by the Forestry Commission, a road, spawning grounds for salmon and trout and 1.5m trees.

New housing has been provided for the local inhabitants in the North Tyne Valley, as has a new 13.6 km road for travellers and a fish hatchery to supply the needs of anglers.

The new reservoir is of unusual shape, partly due to major tributory side valleys biting deep into the surrounding forest-clad hills.

Kielder Dam, which contains the reservoir is 1,140 metres long and 52 metres high and lies 1.6 km upstream from Falstone.

A second dam, 165 metres long and 17 metres high at Bakethin, 9 km upstream of Falstone, lies mostly submerged when Kielder reservoir is full but emerges when the latter falls in level. Part of this area has been designated a wildlife nature reserve.

Construction work began on the 6.7 m-wide road diversion in 1975, followed in 1976 by the start to Kielder Dam. The next two years, 1977 and 1978, saw starts being made on the new fish hatchery at Kielder Village and on Bakethin Dam respectively

An almost complete lack of industrial unrest enabled the four contractors involved to achieve good progress leading to the inauguration of the entire beadworks in May 1982.

Both the highway diversion on the south bank of the reservoir and the Bakethin Dam have played important parts in the control of traffic and river flows respectively in an inhabited area severely disrupted by the large-scale engineering work. Their careful aesthetic design has added beauty to en area already well endowed.

Dangers

The introduction of just over 4m cu metres of materials for a dam into a remote and beautiful valley has obvious potential dangers and these were thoroughly discussed at a public inquiry in 1972-73.

As a result, very special conditions, affecting temporary buildings used by contractors, methods and materials of construction and lorry traffic routes, were imposed.

The latter conditions had the object of reducing disturbance to small towns and villages and resulted in the expenditure of considerable sums of money in upgrading roads and bridges between the A8 near Otterburn and Falstone. Most of this work was undertaken by Northumberland County Council on a repayment basis.

To reduce further any adverse effects on local inhabitants from lorry traffic, existing rock quarries within the reservoir area and nearby were fully exploited for sandstone and hard whinstone.

Since 85 per cent of the materials of which the dam is formed are of a clay type, little trouble was experienced in opening up borrow pits upstream of the dam in the valley floor to excavate this type of embankment fill.

The material which offered most difficulty was concrete, essential in the construction of the overflow weir and channel and other structures. Planning and architectural constraints required that a warm coloured stone aggregate be imported from Rothbury, some 48 km east of the dam, for concrete which would be visible.

Local sandstone was used extensively in the considerable lengths of walling around the dam site and new plantations were formed below the dam with the approval of the National Parks Committee whose boundary crosses that area. Amenity also dictated the horizontal curve on the axis of the dam and the moulding of the dam contours into the abutments.

Material

Investigations by borings and geographical studies showed that, at the dam site, nature had provided a deep layer of clay material over the centre of the valley.

This layer thinned towards the public road on the south abutment and had been entirely eroded away at the River North Tyne to the north.

It was decided by the dam designers to leave this deep layer of clay intact as an effective water barrier below the dam and to construct the dam embankment on this layer.

To the south and north and at the river, clay blankets were constructed on the thinner natural clay deposits to increase their thickness before raising the dam embankment itself.

The latter was formed of clay materials which were laid with horizontal stone drains in the shoulders, but with solid clay in the central core.

At the river and on the north abutment, concrete and cement grout was used to increase the resistance of the foundations to percolation of reservoir water.

Controlled underseepage from the reservoir to the River North Tyne has been accepted in the design and a network of stone drains has been laid to conduct the seepages to measurement devices before releasing these flows to the river where flows are measured in total over a concrete weir.

Such seepages contribute to the statutory compensation flows which must be released from the reservoir and contribute about two per cent of the summer value of 113,600 cubic metres per day.

Deep boreholes downstream of the dam have been sunk into the rock to attract underseepage, to control the pressures under which this water is flowing and so to increase the stability of the dam.

Pressure and movement devices have in addition been built into the embankment on two sections to assist design and maintenance engineers assess the behaviour of the dam embankment.

These instruments were of vital importance in the peak construction year of 1979 when the contractor placed up to 160,000 cubic metres of clay fill in one week.

An early warning of unacceptable stresses in the heart of the dam was registered enabling corrective action to be taken in good time.

The premier consideration in designing the overflow weir and channel to convey flood waters from the reservoir was safety.

At Tarset, 7 km downstream of Kielder Dam, a weir has measured flows in the River North Tyne for over 20 years and has recorded floods with peaks of 340 cubic metres per second and volumes in a day of up to 19,000 cubic metres.

These records have been invaluable in assessing the dimensions of the concrete overflow weir and channel at Kielder Dam and in selecting the sizes of the pipes and valves built into the valve tower to release water from the reservoir.

Concrete

In fact, the overflow channel can cope safely with peak inflows to the reservoir of at least three times the maximum likely value and more under very severe conditions.

The 185m-long weir and 16m-wide channel conduct floods to a deep stilling basin where the destructive energy of the water is largely dissipated against a massive submerged concrete wall.

Two sets of steel pipes are led through the concrete arch culvert which runs below the dam and connects the valve tower with the river downstream.

The larger pipe, known as the scour pipe, is 2.9m in diameter and 16 mm in thickness.

The smaller pipe, 2.0m in diameter and 12 mm in thickness, collects water drawn from the four highest level of abstraction and delivers it to the stilling basin from where it flows into the River North Tyne.

The ends of both pipes are fitted with energy dissipating valves which discharge into the stilling basin alongside the flows from the overflow channel. The scour pipe alone can discharge up to six times the average flow in the river at Kielder Dam.

The culvert is a two-level structure, the lower level accommodating the two steel pipes in separate compartments and the upper level a 4m wide access road to the valve tower.

Before impounding commenced on December 15, 1980 the reservoir area was cleared of all properties and coniferous trees had been felled and marketed by the Forestry Commission.

The commission had also completed diversion of many kilometres of forest access roads and arranged to burn the forest debris. Tree roots near the water margins were uprooted and buried below a layer of clay.

As impounding proceeded, broadly as predicted, the monitoring of the instruments in the dam and its foundations showed that underseepage and dam stresses were within the limits expected.

Valves and pipeworks have been tested and apart from continuing adjustments, they are behaving well.

A regular supply of water of good quality can now be relied upon from this vast reservoir.

George Rocke

The Kielder scheme was designed to allow the transfer of large amounts of water from the River Tyne to the industrial areas served by the Rivers Wear and Tees.

When completed the transfer works, which stretch from Riding Mill pumping station on the Tyne to the River Tees, near Eggleston, will have a capacity of 1.2m cu metres a day.

The various stages of construction and the problems encountered on one of the biggest ever tunnelling projects in the UK are described below by Norman Berry.

Ten-year-old machine leads the way

After leaving the Kielder dam, water travels down the Tyne and is then pumped along an aqueduct. It then passes through tunnels to a holding dam before being released into the Tees—a total journey of 36 miles, 20 of which will be in tunnel.

THE CONTRACT for the construction of the main tunnels, extending 28 km was awarded in May 1975 to the Anglo-German consortium Tyne Tees Tunnelling, consisting of the German companies Ed Zuhlin and C. Baresel and the British company A. Monk.

TTT based their tender proposals on the use of two German-built Demag tunnelling machines, the first of which had already been partially built on "spec" by Demag.

Three months after the placing of the order TTT had the machine on site.

The tunnels were very largely driven in coal measure rocks consisting of interbedded limestone, sandstone and shales. The nominal driven diameter was 3.4m although, in practice, the contractor chose to drive to a slightly larger diameter of 3.5 or 3.55m to allow some tolerance. The tunnel roof throughout was supported using steel arches, rockbolts or shotcrete which were adequate to support the rock until the permanent lining of in-situ concrete was placed, in some cases several years later.

Driving of the tunnels started in July 1975 but unfortunately the Demag machines did not achieve their anticipated rate of progress of 400 metres per month.

This was very largely due to problems with the design of the machine. There were difficulties with the arrangements for removing excavated rock. Serious problems also arose with the installation of roof support, largely because the geometry of the machine effectively prevented any support — steel arches or rockbolts — being installed until the head of the tunnelling machine had moved 12-15 metres.

To overcome this problem the contractor arranged in September 1975 for an American-built Robbins tunnelling machine to be installed at Tees, the most southerly extent of the tunnelling. This machine was noticeably more successful and, although already some 10 years old when it started work on Kielder, it consistently penetrated the rock at a higher rate and the arrangement of the machine allowed for roof support to be provided only a few metres behind the head of the machine. In fact, the Robbins machine drove nearly as much tunnel as the two Demag machines together.

It was anticipated the tunnels would be driven through sedimentary rocks and the alignment of the tunnel was arranged so as to avoid a strata of very hard whinstone.

The section of tunnel where the whinsill was at its nearest was driven by a Demag machine which successfully passed tha point where the sill was thought to be at its nearest vertical distance of 15 m below the tunnel.

However a short distance after this tha machine ran into a massive transgression of the whinsill which had intruded into the rock sequence at a much higher level. This had a very serious effect on progress which was reduced from the normal 1.5-2 m per hour down to less than ½ m per hour.

The costs of the tools on the full-face tunnelling machine jumped up to an alarming £47 per lineal metre—compared with the normal cost of £5 per lineal metre.

Serious consideration was given to the possibility of removing the machine from tha tunnel.

The site investigation boreholes had been approximately 2 kms apart and owing to access problems the next boreholes were a short distance off the line. In order to check on tha extent of the intrusion it was decided to sink a borehole approximately 1 km ahead of the tunnelling machine. On tha very day that the boring crew reached the whinsill, which was at its correct level some 20 m below anticipated tunnel level, the Demag machine emerged from tha whin into sandstone.

Much has been written about the wisdom of using full-face tunnelling machines on very long tunnels such as those for the Kielder scheme. In fact the machines have coped successfully with a very large variety of rock conditions and they have demonstrated very clearly the potential of full-face tunnelling machines for driving very long tunnels.

However, none of the tunnelling machines achieved their apparent potential.

On three of the four tunnel drives the machine utilisation was less than 25 per cent. Considering that a tunnelling machine can cost over £1m this is surprising.

However, on the final drive northwards, from the River Derwent, a machine utilisation of nearly 40 per cent was achieved giving an average rate of progress of almost 600 m per month.

The reason for this dramatic improvement was a change in the shift pattern. On the other three drives the contractor operated two 11 hour shifts with a two-hour break between the shifts for maintenance of the machines. On the final drive from the Derwent the contractor obtained union agreement to the operation of three eight hour shifts.

This accounted for much of the improved output of the machines, which over a period of nearly three months operated virtually 24 hours a day, 7 days a week.

With a modern tunnelling machine it should be possible to have a rate of penetration in excess of 5 m per hour and a 50 per cent machine utilisation would give a rate of progress of the order of two kms a month in comparison with the ½ km per month achieved on average on Kielder.

For hydraulic reasons it was necessary to line the tunnels throughout with in-situ concrete. Rates of lining in excess of 1,000 m per week were regularly attained.

Norman Berry is a partner and George Rocke an associate of Babtie Shaw and Morton, Glasgow, the consulting engineers for the Kielder scheme.

Pumping station

IN ORDER to allow the abstraction of water at Riding Mill a weir bad to be built across tha river.

The weir is 80m long and the right bank section bas two tilting gates to control the pond level and residual flows during pumping.

When the tilting gates are raised the weir creates a storage pond of over 100,000 cu metres capacity above the lowest weir level. This storage provides the balance between the natural river flows and releases from the Kielder Water and the amount of water which is being abstracted using fixed speed pumps.

The weir is now the only part of the Kielder project where major work is still proceeding. It is being constructed by John Mowlem and Company, who, in order to overcome the problem of providing a positive cut-off to prevent seepage under the weir, proposed the driving of inter-locking concrete piles to rock level.

This work was undertaken by sub-contractor, FJC Lilley who sucessfully bored the secant piles through the very densely packed boulders in the river bed.

In order to minimise the time taken during construction, and also to achieve the very high standard of surface finish specified, Mowlem used very large precast units to form the main structure of the weir.

The main structure of the pumping station, which was constructed by John Laing, has reinforced concrete portal frames to support thick precast concrete wall panels and a flat roof of solid precast units. The purpose of this heavy construction was to reduce anticipated high noise levels.

With all 12 pumps running, the noise level at a radius of 400m is only 27 decibels, substantially less than the sound of normal conversation. At present it is not possible to tell from the outside of the building whether or not the pumps are running.

The external appearance of the building has been designed to blend in with the environment and once the trees, which have been planted extensively in the area, have grown, most people driving past the pumping station will not be aware of its presence.

The aqueduct

FROM THE pumping station a 2m diameter steel pipeline some 6.2km long rises to a height of about 200m. Provision is made for this pipeline to be duplicated should demand justify it.

The pipeline is constructed of spirally welded steel, with thicknesses varying from 10 to 14 mm, depending on the pressure. It was manufactured by Byard Kenwest in their Livingston works in Scotland. The pipes were generally supplied in 12 m lengths and were manufactured at a rate of up to 30 per week.

Norwest Holst were the main contractors for laying the pipework and they successfully completed the work on time in just under 25 months.

The tunnels

THE STEEL pipeline ends at Letch House where a 22 m shaft connects with tha start of the tunnels which then extend virtually due south for over 30 kilometres.

Fairclough Civil Engineering constructed the tunnels with highly mechanised drill and blast equipment. The tunnels were driven largely through strongly bedded sandstone at a nominal diameter of 3.5 metres but the bedding of the rock resulted in a virtually square profile.

As the tunnels were eventually lined to a finished diameter of 2.9 metres this was of very great significance as the volume of concrete per lineal metre was approximately 50 per cent greater in the tunnels driven by drill and blast as opposed to those driven by full-face machine.

Airy Holm Dam

IN ORDER to provide some degree of balancing storage a small head pond was constructed at Airy Holm, approximately 2½km south of Letch House. This was connected by means of a vertical shaft to the tunnel.

The dam itself is of fairly conventional construction with a central mass concrete section and earth flanks.

An unusual feature however is the construction of a diversion of the Shotleyfield Burn which would otherwise have been impounded by the construction of the dam.

The normal flow of the burn was taken around the perimeter of the reservoir in a pipeline, thus maintaining the flow in the burn and preserving the fishing interests.

Construction of the Airy Holm Dam started in Octobar 1977 and the contractor, Gleeson Civil Engineering, has completed the project.

Planners capitalise on leisure potential

THE RESERVOIR — moulded into the almost Nordic setting of the Kielder Forest—provided water authority recreation planners with a unique opportunity.

They had a virtually ready-made leisure feature which could offer recreational facilities largely unavailable before in the north east of England.

Their task was to develop a policy which would make maximum use of such rich potential.

The authority has now embarked on a 10-year programme of tourist development based on the lake and the forest around it.

In formulating the programme the Northumberland Water Authority has been guided by the 1973 Water Act, which requires authorities to consider putting their water resources to full recreational use. Other laws require the NWA to make recreation pay for itself without discriminating against different groups of water users.

At the same time the Forestry Commission, which has been working closely with the authority and has a base at Kielder Castle, operates a general policy of opening forests to the public.

A major decision had then to be taken on who was to do the developing. Mr Terry Jones, the water authority's chief recreation officer, says that to achieve the authority's tourist objectives, the development had to be done through a mixed economy—that is, by the water authority itself, by professional entrepreneurs and by voluntary organisations.

The water authority has played three roles. Firstly it has provided the infrastructure—jetties and car parks, for example. The NWA has been helped by £500,000 in grants from the European Regional Development Fund and other bodies such as the British Sports Council, the English Tourist Board and the Countryside Commission.

Secondly, the NWA has handled fishing. It has provided salmon hatchery and the reservoir has been stocked with 300,000 brown trout.

Finally, the authority has designed the scheme of franchising and of controls. This has involved some tendering by companies and individuals for concessions on recreational facilities, leasing of land for buildings and issuing licences.

The Kielder Water Club is split up into various sections to cater for owners of cruisers, sub-aqua enthusiasts, dinghy sailors and most other water sports activities. It has responsibility for registering boats, checking safety and obtaining daily charges on those boats whose owners arrive for short stays at the lake and who are not yearly members of the club.

One man operates a ferry service with a 40-seater launch. A small company acts as ships' chandler as well as boat repairer and hirer. There is also some catering franchising.

The south development has five main locations. These are: an information centre with eating facilities; a mooring point for cruisers and keel sailing boats at Whickhope; the main sailing centre at Leaplish; the principal fishing centre at Matthew's Linn; and a £750,000 outdoor activity centre, being built by the Scout Association at Hawkhirst Peninsula.

Regulations

Kielder is the only inland water in the north east which can accommodate large boats, says NWA recreation officer Mr Jones. The importance of this lies in the fact that almost all coastal moorings are fully taken up.

Motor launches are subjected to tight regulations. They must keep below six miles per hour and there are noise level tests for speed boats.

There is a rich wildlife population on or near the lake. At the upper end of the lake the near constant water levels at Bakethin Dam is helping the establishment of a "nature conservation area" where plants, birds and mammals are thriving.

The Forestry Commission has designated the forest around Kielder as a Working Circle—a forestry term for an area of woodland which has special study and management objectives.

Cabins are being built in some of the forest areas where there are 30 or so special clearings. There is already a children's play area near the lake and two camp sites and an outdoor activities centre are being set up by the Northumberland education authority. The forest provides an ideal visiting place for school parties.

Growing interest in the lake has been shown by a rise in the number of people attending the visitors' centre.

Nick Garnett

Eighty companies awarded contracts

ALTHOUGH the Balfour Beatty Fairclough Joint Venture claimed the lion's share of the £167m Kielder Water contracts with its £58m dam element, many other top names were also involved. The list reads rather like a roll-call of the British construction industry.

At the headworks themselves, firms of the standing of Wimpey and Gleeson figured in substantial contracts, the former building the smaller tail-end dam at Bakethin, a contract worth £2m, with Gleeson awarded the £9m job of realigning the C200 road along the North Tyne valley.

Out of a list of some 20 main contractors and a total of 80 contracts altogether, Laing, Tarmac, Norwest Holst and Mowlem crop up from the civil engineering sector, while NEI and Hawker Siddeley Brackett are among the many companies that appear among the specialist contractors.

Spin-off

A project the size and complexity of Kielder has had a widespread effect not only regionally but nationally. The 80 direct contracts involved have been placed over a period of eight years and co-ordinating them into an interlocking programme has presented the Northumbrian Water Authority with a major task.

Many of the companies involved have, in turn, spun-off business to their own suppliers and sub-contractors sometimes in substantial numbers. Many small companies throughout the country have benefited from the Kielder project without being aware of it.

Apart from the hardware associated with the heavy end of the construction industry, the shopping list of a site purchasing officer is usually extensive. Apart from procuring the bits and pieces constantly demanded by the engineers, the logistics of supplying a 700-strong workforce—with 1,500 people at times working at Kielder—is considerable.

On a major project a purchasing manager of senior status is an essential member of the site management team. While much site purchasing benefits local businesses—indeed this may be a matter of company policy—the Kielder Joint Venture company makes the point that it scoured the country for suppliers in its purchasing operation. Nevertheless, site management admits that perhaps the most valuable of all its suppliers was the village plumber and electrician a few miles down the road, who turned out at all hours, often in foul weather, to cope with site emergencies.

As expected, the economic advantages to companies in the north-east has been substantial, but what was less anticipated was the effect upon companies as far apart as the south coast of England and the north of Scotland.

Construction sites are still fairly labour intensive, which puts money into the local economy in the form of wages. At Kielder workers were travelling from up to 50 miles away, buses being laid on from Darlington, Newcastle, Carlisle and Hawick, so even the wage-related effect was fairly widespread.

The shifting of 5m cu metres of boulder clay during five summer seasons, working round the clock, ensured good spares business for firms like Caterpillar. The Northumbrian Water Authority claimed that the value and diversity of construction plant mobilised for Kielder stood comparison with any other project in the country.

When it comes to the supply of service equipment, much of it highly specialised, the spin-off can undoubtedly be considerable, although more difficult to quantify. The Kielder main dam has 700 measuring devices either buried in its core, or attached to its surface, all of which have to be monitored by sophisticated equipment in two instrument houses.

It is this aspect of the project that accounts for NEI's involvement supplying transformers, switchgear, starters and control panels. West Midlands-based Serek Controls supplied telemetry equipment, with Neptune Glenfield of Kilmarnock responsible for pumping equipment and valves.

These are the kind of companies that are most likely to generate off-site work for sub-contractors, either independent enterprises, or within a company's own group. Kielder-related benefits have also flowed to a number of bodies that are not, strictly speaking, commercial. The Water Research Association undertook computer studies, the Institute of Geological Sciences supplied geological information, while the Hydraulic Research Association produced a model and the Ordnance Survey established marker points for the drilling of the water tunnels. The University of Newcastle upon Tyne carried out a number of tasks from laboratory testing of quarry materials to examining the machineability of rock.

In geographical terms the most widespread spin-off from Kielder stems from the awarding of the contract to drive the water tunnels linking the region's three main rivers, Tyne Wear and Tees. The major part of this—with some pipework and a short section of tunnel drilled by Fairclough Tunnelling, worth £53m—went to Tyne Tees Tunelling, a purpose-formed West German-led consortium.

The main partners in the consortium were two Stuttgart-based companies, C. Baresel and Ed Zublin, with Swiss Aluminium Mining and the UK's Monk also involved. Monk's 16 per cent share was probably essential to the consortium because of a stipulation by the Water Authority that all joint ventures should have some British participation.

Successful

The machines used to drive the tunnels were made by Demag—plus at a later stage an American Robbins—with virtually all the senior project management coming from West Germany. According to project engineer Olaf Loettgen a special effort was made to use local suppliers.

Joint ventures in the British construction industry have not always turned out so successful, but in Kielder's case things appear to have gone well. Mr Alan Cockshaw, chairman of the Balfour Beatty Fairclough Kielder Joint Venture, sees it as a successful exercise in sharing the risks and problems.

Undoubtedly Kielder posed special problems and the two companies learnt a number of lessons in solving them. The first hurdle to overcome was to create the feeling of working for the joint venture, rather than for Balfour Beatty or Fairclough. Once this was achieved, fairly early on, all other problems became that much easier to solve.

The fact that the two companies involved in the joint venture did things in different ways, which might, at first have appeared to provide grounds for conflict, turned out to be an advantage, with people involved claiming great benefit had derived from the interchange of ideas.

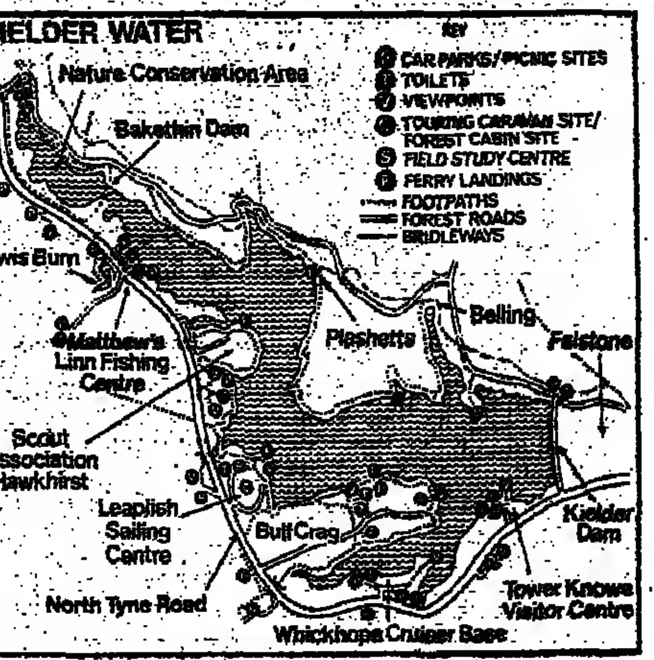
In many ways, because of its remote location and the often hostile environment, the Kielder project has been likened to an overseas contract by some of the civil engineers involved. This, plus severe restrictions imposed upon contractors over the number of vehicles and the size of their loads on public approach roads, provided site management with what it has described as a lesson in self-sufficiency—how, in effect, to live off the land and win the maximum amount of material required for building the dam from the floor of the valley that would eventually be flooded.

Somewhat against the trend on UK contracts, the Kielder site management was given a great deal of autonomy, with most major decisions being made on the spot. Directors of the joint venture were frequently on site and, indeed, held their meetings there.

But the chances of the two companies repeating their partnership at least in the near future seem small. Projects of a size and style similar to Kielder are not in prospect, either in the UK or in Western Europe.

An attempt to secure a follow-on contract that would have kept the joint team together was made but failed. The consortium tendered for another dam building job in Derbyshire, but its tender was too high, although having built a dam might be regarded as an advantage, the lessons learned the hard way may have pushed the tender up.

Ewart Mann



Region's water users contribute £105m

EVERYTHING about the Kielder Water project is large scale: it is one of the largest man-made lakes in Europe situated in one of the largest man-made forests in Europe. Not surprisingly its financing has been an equally large-scale and complicated affair involving British and foreign organisations.

The scheme provides not only a reservoir and dam but a series of complicated engineering arrangements to allow regulation of the Rivers Tyne, Wear and Tees. In effect, it can control and meet the demand for water in the entire north east alone for the rest of the century.

The cost of such a major regional water undertaking—the first of its kind in the country—is £167m gross.

The most interesting feature of the financing is the involvement of the Common Market's Regional Development Fund, which provided a grant of £36m, the largest contribution it has ever made to any single scheme or project in Europe.

A grant of £26m was made by the British Government, mostly under the terms of Local Employment Acts providing for assistance to schemes involving job creation in assisted areas.

This left a staggering £105m for the project to be funded by north east water users. The money was raised in loans, mostly over 15 years but on a renewable basis so they can be rolled over.

Some £63m of the loans were taken through the European Investment Bank—in every case because the EIB rates were more favourable than any of the prevailing variable rates obtainable in Britain. The EIB rates were still advantageous when exchange control arrangements had been taken into account to guarantee against losses through fluctuations in the foreign exchange markets.

Balance

The balance was raised from the Government - backed National Loans Fund.

These loans have to be serviced through the water charges to consumers in the region. It is estimated that £5 of the average household's annual water bill of £57 is now directly for the Kielder Water project.

The break-down of the costs of the scheme, which took about 10 years of planning before work began in 1976, is split between the main dam, the subsidiary dam, the pumping stations, the tunnels and the preparatory work and roads.

The headworks of the main dam, three-quarters of a mile long and 170 ft high, at Kielder cost £55m. A further £2m has been spent on building a secondary dam in the form of a weir at Bakethin at the north western extremity of Kielder reservoir to prevent unsightly mudflats being revealed during drawdown of water. The resulting small lake behind Bakethin will become a nature conservation area with protected flora and fauna.

Another £9m was spent on diverting roads and building a new eight-and-a-half-mile road along the south shore, together with three bridges across burns, to replace the old, now-submerged road along the valley bottom.

Water released from Kielder Water flows 36 miles down the River North Tyne and the Tyne itself to Riding Mill where a 305 ft adjustable weir and pumping station have been built at a cost of £18m. This is Britain's largest pumping station and the Northumbrian Water Authority will eventually be able to take 20m gallons of water a day up from here.

From Riding Mill water travels into an intricate network of pipes and tunnels reaching the highest point of the aqueduct four miles away and 700 feet higher. Other tunnels, including one which runs for 20 miles down to 1,000 feet below the Durham Fells, take water to the Rivers Wear and Tees. This network plus the creation of a headpond at Airy Holm cost some £53m.

Small items accounted for £5m and the remaining £22m of the gross cost is capitalised interest due to arrangements which enabled Northumbrian Water Authority to delay payments for the scheme until it was almost completed.

In addition recreation, amenity and sporting facilities will make the Kielder project the largest leisure complex in Britain. Facilities for such pursuits as angling, sailing, picnicking, camping and walking are being improved at a cost of £2.5m spread over six years. Eventually more jetties and slipways will be built.

Grants totalling £800,000 towards the leisure facilities were provided by the English Tourist Board, the Countryside Commission, the Sports Council and, once again, the EEC Regional Development Fund.

Facilities

The fund has been particularly enthusiastic about the scheme, partly because of the regional nature of the project and partly because of the depressed state of the region.

The north east is a low-wage, high unemployment area in need of industrial and economic revival. Although the Kielder Water project itself will not provide many permanent jobs, more than 1,000 people were working on it at its peak development period. The leisure and recreational aspect provides wide job-creation potential.

In addition the project, by regulating the three main rivers of the north east and using them as aqueducts can make water available over the whole region to whoever wants it. The north east is therefore the only region in Britain which can tell industry looking for a site that wherever it chooses to be within the region, and no matter how much water it requires, it can be serviced.

The fund thought that combination of features made the Kielder Water project worth supporting on a large scale. The European Investment Bank is again active in the region having agreed a £50m loan for the cleaning up and improvement of the River Tyne.

Although the residents of the north east have to pay for the scheme as part of their water charges—and many of them fought the idea through two lengthy public inquiries—there have been signs of public approval since the lake took shape.

Its cost was not only the £167m, cash. About 1.5m trees were felled and the dam is an earth embankment of more than 4m cubic metres volume which took four-and-a-half years to build. That is a third more material than the Egyptians required for the largest of the pyramids which took 100,000 slaves 30 years to build.

Robin Pauley

GARDENS TODAY

A romantic tale for our time

BY ROBIN LANE FOX

IT LOOKED last week as if every gardener in the country had decided to visit the Chelsea Flower Show at the same time. For those of you who missed it, or saw a small fraction at long-range, I would like to sort my memories into order and discuss a few of the better plants.

At £5 a time, Harkness' Roses, new climber, *Breath of Life*, may have to wait a year or two for a general welcome. I have seldom bothered with novelties from rose-growers, but this one may fill a tantalising gap. The flowers have the shape of a modest hybrid Tea with a tapered central crown of petals. This is charming, but not unusual. Their colour, however, is a soft peach pink shading to apricot pink, "as gentle and kind a shade," says Harkness of Hitchin, Hertfordshire, "as may be imagined." I agree. This rose can be pinned up to a height of around 8 feet and ought to suit any wall except for a strong, red brick. It is bred to stay, having the blood of that tough, copper orange Alexander in half of its veins. Nineteen-eighty-two is the centenary of the Royal College of Midwives, an event which gave Breoth of Life its name. Over 1,500 alternative names were rejected, which makes me wonder what they were. Still, the rose, at least, has not miscarried and I wait to see whether black spot and mildew give it a rapid kiss of death. If not, I will enjoy it on the front of my house where the winter played such havoc with the older climbers.

A week before Chelsea I had been tempted by some fiercely priced clematis on sale just down the road and had filled the gap of a dead Escallonia with that old and solid variety, the deep lavender-flowered William Kennet. As usual, the clematis shown by Fisks of Westleton, Saxmundham, Suffolk, make me wish I had waited. The deep ruby red Niobe is as tough and prolific as she seems at Chelsea, a superb recent clematis for walls in town or country. So, too, is the lovely Dr Ruppel, a flower of middling size whose pinkish rose background is marked with strong bars of deep rose red, running into a centre of golden stamens. He flowers in late May, just before Niobe, and repeats a small show in favourable Septembers. Whereas Niobe likes to be cut down to ground level in March, Dr Ruppel needs no pruning at all. I prefer him to the bigger Nelly Moser, generous though she is.

Kelwey's peonies, from Langport, Somerset, also fill me with regrets; have I failed to choose the best varieties for my limited space? By now, I suspect that they are capable of showing any peony to perfection, but this year I added the soft pink Vogue to my list, a very large flowered variety. Its double pink flowers are shaded with a silvery pink tone on the reverse of their petals which lightens the general colour. Vogue grows freely and belongs with the other double flowered beauties, pale cream yellow Laura Drisert, lemon white Duchesse de Nemours and the rest.

For some while, I have envied a brilliant rose pink form of verbena which goes by the name of its home, the great garden at Sissinghurst. It turns up in the best gardens which open themselves to the public, but I have never seen this bright carpeting plant in any general list. Robinson's Hardy Plants of Swanlea, Kent showed it this year, together with a lovely lilac flushed form of that spreading South African daisy called dimurphotheca, Tresco Purple. Neither this nor the verbena would be reliably hardy in most gardens, but they would multiply like weeds from late summer cuttings kept safely in a cold house or window-sill during the winter. They match each other prettily and are a better buy than the soft bedding annuals which seem to cost as much and last for two months only.

If you have a warm home, but no garden, you might like to reverse the usual order of nature and follow up Chelsee's show of carnivorous plants. Marston Exotics, Marston Mill, Frome, Somerset, supplies plants which feed on insects and other forms of flesh. The Pitcher plants, or sarracenias, look like TV triffids whose day has dawned, but even a beginner ought to find them easy and I dare say they might make a meal of him too before long.

More sociably, I would welcome the new form of Iceland poppy, shown by Jacksons, 10 Ringley Park Road, Reigate, Surrey. Called Constance Finnis, these are a brighter and larger form of the usual cut flowers, proving hardy on well drained soil in the past winter. They derive from New Zealand in a romantic tale for our time.

In 1904, Commander Finnis served on board a task force, sent to relieve the ice-bound Captain Scott and the ships of the Antarctic exploration. When ashore in New Zealand, he struck up a friendship with a young woman. Returning home, the commander married and settled down, only to receive a packet of seeds after the 1945 war from this long-lost friend in his past. His wife took the matter in her stride and enjoyed the poppies for years in her Reigate garden.

After the family dispersed, the commander's daughter, Valery, ran the plants to ground in an Irish garden. They had survived, amusingly, in the keeping of a family related to Shackleton, Scott's former companion. Through seeds, the poppies spread again and from autumn onwards, you can enjoy young plants from Reigate. By the 1990s, who knows what might come home for our gardens from a Falklands sweetheart?

FT COMMERCIAL LAW REPORTS

Bank's duty towards letter of credit

UNITED CITY MERCHANTS (INVESTMENTS) LTD v ROYAL BANK OF CANADA AND OTHERS

House of Lords (Lord Diplock, Lord Fraser of Tullybelton, Lord Russell of Killowen, Lord Scarman and Lord Bridge of Harwich): May 20 1982

WHERE DOCUMENTS, which contain a material misrepresentation of fact, are presented to a bank under the terms of an irrevocable letter of credit, the bank has a contractual duty to honour the letter of credit unless it can prove that it was the beneficiary himself who was responsible for the fraud. Moreover, where a contract attempts to avoid national exchange control regulations in contravention of the Bretton Woods Agreement, the contract is unenforceable only to the extent to which it is a monetary contract in disguise under the Agreement.

The House of Lords so held in allowing an appeal by the plaintiffs, United City Merchants (Investments) Ltd, from a decision of the Court of Appeal which held that the misrepresentation in the documents presented to the defendants, Royal Bank of Canada, entitled them to refuse payment to the sellers under an irrevocable letter of credit.

Article VIII section 2(b) of the schedule to the Bretton Woods Agreements Order in Council 1946 states: "Exchange contracts which involve the currency of any member and which are contrary to the exchange control regulations of that member maintained or imposed consistently with this agreement shall be unenforceable . . ."

* * *

LORD DIPLOCK, in a unanimous judgment, said that in 1975 a Peruvian company, Vitrofuerzos, arranged with Banco Continental SA of Peru to issue credit for the purchase of a glass fibre manufacturing plant from a firm in Malvern, England, Glass Fibres and Equipment Ltd (the "sellers"). Banco Continental, in turn, appointed the respondents, Royal Bank of Canada, to confirm an irrevocable letter of credit for the purchase price of $662,086 in favour of the sellers. The plaintiffs in the present action were merchant bankers; United City Merchants, to whom the sellers had transferred the credit as security for advances made to them.

Payment was to be made in London in three instalments, of which the largest (70 per cent of the price and all the freight charges) was to be made on presentation of the shipping documents.

The Royal Bank of Canada opened the confirmed letter of credit in accordance with these arrangements. It was subject to the Uniform Customs and Practice for Documentary Credits and was made available against delivery of "on board" bills of lading for shipment on December 15 1976 at the latest. An initial payment of the first instalment of 20 per cent was also made on the opening of the credit.

However, through delay on the part of the loading brokers, the goods, which were ready by the beginning of December, were shipped only on December 16, one day later than stipulated under the letter of credit. Upon request by the bank for an "on board" notation, the loading brokers, who were acting as agents for the carriers and not for the sellers, made out the bills of lading as bearing the date of shipment on board as December 15. The sellers had no knowledge of this misrepresentation.

On receipt of these documents, the bank refused to pay out under the letter of credit on the ground that they had information that the actual shipment did not conform to the date on the bills of lading.

The bank also contended that the contract of sale and the letter of credit for which it was issued were unenforceable under the Bretton Woods Agreement. It transpired that Vitrofuerzos had attempted to evade Peruvian exchange control regulations by entering into a collateral contract with the sellers to double the purchase price of the plant; the sellers were thereafter to remit one half of the amount drawn under their letter of credit to a Miami account controlled by the buyers who would then receive dollars in Florida for the currency provided to them in Peru.

*

Lord Diplock said that their Lordships were primarily concerned with the documentary credit point. In the absence of any direct authority, this had to be decided by reference to the first principles that governed the contractual obligations of the various parties in a transaction consisting of an international sale of goods financed by means of an irrevocable documentary credit.

There was only one established exception to the general rule that a bank is under a contractual obligation to the seller to honour the credit if the documents be presented to the *confirming bank conformed with its requirements*: that was where the seller, for the purpose of drawing on the credit, fraudulently presented documents that contained material representations of fact that to his knowledge were untrue.

The present case, however, did not fall within the fraud exception. The judge at first instance had found the sellers to have been unaware of the inaccuracy of the loading date and to have believed that it was true that the goods had been loaded on or before December 15, as required under the terms of the letter of credit. The persons whom the issuer of the document intended to, and did, deceive included the seller himself.

It would be strange from the commercial point of view if the contractual duty that confirming and issuing banks owed to the buyer to honour the credit on the presentation of apparently conforming documents were not matched by a contractual liability of the confirming bank to the seller (in the absence of any fraud on his part) to pay the sum stipulated in credit on presentation of similar documents.

*

To accept otherwise, Lord Diplock said, would be to destroy the autonomy of the documentary credit which was its *raison d'être*.

With regard to the unenforceability of the letter of credit under the Bretton Woods Agreement, his Lordship accepted the narrow interpretation placed on the phrase "exchange contracts" as being confined to contracts to exchange the currency of one country for another. He could not accept, however, that because the contract of sale at the inflated invoice price was a monetary transaction in disguise, the autonomous documentary credit was also to be thus described.

Moreover, no difficulty existed in identifying the monetary transaction that was intended to be concealed by the actual words used in the letter of credit and in the underlying contract of sale. The question was one of the substance of the transaction to which enforcement of the contract would give effect. Payment of the sum to be transmitted to Florida contrary to Peruvian exchange control regulations was unenforceable, but payment of the other half of the invoice price and of the freight was not.

For United City Merchants: Alexander Irvine, QC, and Andrew Longmore (Nicholson, Graham and Jones).

For Royal Bank of Canada: David Johnson, QC and Richard Wood (Thomas, Cooper and Stibbard).

By Aviva Golden
Barrister

TELEVISION

BBC 1

6.40-7.55 Open University (Ultra High Frequency only). 10.00-10.12 You and Me. 10.40-12.30 pm For Schools, Colleges. 1.00 News After Noon. 1.30-1.45 Over the Moon. 2.01-3.00 For Schools, Colleges. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Scooby Doo. Where Are You? 4.40 Oscar, Kina and The Laser. 5.05 John Craven's Newsround. 5.10 Wildtrack.

5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
7.00 The Wednesday Film: 'Nickelodeon,' starring Ryan O'Neil, Burt Reynolds, and Tatum O'Neal.
9.00 News.
9.30 Taxi.
9.55 Sportsnight, introduced by Harry Carpenter.
10.35 "Every Little Movement," starring Shirley MacLaine.
11.25 News Headlines.
11.30 Television Writer: Tenko: Anne Valery and Jill Hyem describe how they tackled the problems of telling a story that had not been told before.

Chris Dunkley: Tonight's Choice

Something rather eerie was to have happened round about 10 o'clock: at 10.00 ITV screen the 1978 horror movie Omen II which is about the coming of the Antichrist; and at 9.50 in "QED" BBC-1 was to have offered a 60-minute Guide To Armageddon which is still billed in Radio Times. It looked as though the broadcasters knew something we didn't.

However, the QED programme which sounded much the most interesting (quite possibly the long-awaited up-date of the suppressed "War Game" though the BBC has kept it very quiet and not even offered the critics' preview which they organised for the rest of the QED series) has now been pulled out of the schedules. It is simply said to be "unsuitable" but I understand the reasoning, is that if by chance BBC News bad to break in with bad tidings from the Falklands, it would be quite appalling if the network then had to resume with the vivid simulation of nuclear attack on London contained here.

Clearly the answer is to watch the BBC like a hawk in case they use the opportunity to quietly forget A Guide To Armageddon, and for tonight switch to BBC2 and watch the second of the four Frost In May plays. The first was excellent.

BBC 2

6.40-7.55 am Open University.
10.20-10.45 Gharbar.
11.00-12.25 Play School.
12.30-1.20pm Open University.
5.10 Wittgenstein and the Quest for Meaning.
†5.40 Charlie Chaplin in "Easy Street."
6.10 Saved in the Nick of Time.
6.50 The Ascent of Man.
7.40 News Summary.
7.45 Hooked.
8.15 Kielder Water.
9.00 Butterflies by Carla Lane.
9.30 Frost in May.
11.00-11.50 Newsnight.

LONDON

9.20 am Schools Programmes. 11.54 Dick Tracy Cartoon. 12.00 Windfalls. 12.10 pm Rainbow. 12.30 Play It Again. 1.00 News with Peter Sissons, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Crown Court. 2.00 Afternoon Plus by Mary Parkinson. 2.45 The Six Million Dollar Man. 3.45 Three Little Words. 4.15 Bugs Bunny. 4.20 Animals in Action. 4.45 Sunny Side Up. 5.15 Mr Merlin.

5.45 News.
6.00 Thames News, with Andrew Gardner and Rita Carter.
6.30 Coronation Street.
7.00 The European Cup Final between Aston Villa and Bayern Munich. Commentary by Brian Moore and analysis from Brian Clough. Gary Newbon is the reporter.
9.15 News.
10.00 "Damien — Omen II," starring William Holden, Lee Grant and Jonathan Scott-Taylor.
12.00 Superstar Profile: Director and actor Mel Brooks talks to Catherine Laporte.
12.30 am Close: "Sit Up and Listen" with Beverley Anderson.

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA
1.20 pm Anglia News. 2.45 Deeply Regretted By. 5.15 Jangles. 6.00 About Anglia. 12.00 Love American Style. 12.30 am A Tale of Two Cities.

BORDER
1.20 pm Border News. 2.45 The Last of Summer. 5.15 Survival. 6.00 Lookaround Wednesday. 12.00 Border News Summary.

CENTRAL
1.20 pm Central News. 2.45 The Body Human. 5.15 Diff'rent Strokes. 5.00 Central News. 12.00 Barney Miller.

CHANNEL
1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.45 Trapper John. 5.20 Here's Boomer. 6.00 Channel Report. 9.58 Channel Late News. 12.00 Superstar Profile. 12.30 am News and Weather in French followed by Epilogue.

GRAMPIAN
9.25 am First Thing. 1.20 pm North News. 2.45 Trapper John. 5.15 Jangles. 6.00 North Tonight. 12.00 Seachd Laithean (the week's news in Gaelic). 12.30 am North Headlines.

GRANADA
11.54 am Wattoo Wattoo. 1.20 pm Granada Reports. 1.30 Exchange Flags. 2.00 Crown Court. 2.30 Putting on the Style. 2.45 The Last of Summer. 5.00 This Is Your Right. 6.05 Granada Reports. 12.00 Living Legends of Jazz (Ramsey Lewis).

HTV
1.20 pm HTV News. 2.45 Fantasy Island. 4.15 Ask Oscar! 5.15 Private Benjamin. 5.00 HTV News. 9.58 HTV News. 12.00 Ladies' Man.

HTV CYMRU/WALES—As HTV WEST except: 12.00-12.10 pm Ty Bach Twt. 4.15 Here's Boomer. 4.45-5.15 Llyged Barcud. 5.00 Y Dydd. 6.15-6.30 Report Wales.

SCOTTISH
1.20 pm Scottish News. 2.45 Love Boat. 5.15 "The Story (so far) of Mr and Mrs Thames and Natalina McGrory's Amazing Marching Band." 8.00 Scotland Today followed by Action Line. 12.00 Late Call. 12.05 am Pro-Celebrity Snooker.

TSW
1.20 pm TSW News Headlines. 2.45 Trapper John. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Here's Boomer. 6.00 Today South West. 5.58 TSW Late News. 12.30 am Postscript. 12.35 South West Weather.

TVS
1.20 pm TVS News. 2.45 Trapper John. 5.15 Watch This Space . . . Good News of the Week. 5.30 Coast to Coast. 6.00 Coast to Coast (continued). 12.00 Jazz and Blues: Tom Waits—composer, vocalist and pianist. 12.35 am Company.

TYNE TEES
9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News. 1.25 Where the Jobs Are. 2.45 The Love Boat. 5.15 Private Benjamin. 6.00 Northern Life. 12.00 Flowers in our Lives.

ULSTER
1.20 pm Lunchtime. 2.45 Young Ramsay. 4.13 Ulster News. 5.15 Good News of the Week. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 9.59 Ulster Weather. 12.00 News at Bedtime.

YORKSHIRE
1.20 pm Calendar News. 2.45 Charlie's Angels. 5.15 Private Benjamin. 6.00 Calendar (Emley Moor and Belmont editions). 12.00 The Living Legends of Jazz and Blues (Dizzy Gillespie).

RADIO

(S) Stereo broadcast (when broadcast on VHF)

RADIO 1
5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 David Jensen. 10.00-12.00 John Peel (S).

VHF RADIOS 1 AND 2—5.00 am With Radio 2. 6.45 pm John Dunn (S). 8.00 Alan Dell with Dance Band Days. 8.30 Among Your Souvenirs (S). 8.45 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2
5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young. 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 John Dunn (S) (continued on VHF only from 8.45 pm). 6.45 European Soccer: The European Cup Final, Aston Villa v Bayern Munich. 8.45 Among Your Souvenirs (S). 9.15 Frank Chacksfield (S). 9.55 Sports Desk. 10.00 Tom Mennard tells Local Tales. 10.15 The Cambridge Buskers. 10.30 Hubert Gregg says Thanks for the Memory. 11.00 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3
6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued) (S). 9.00 News. 9.05 This Week's Composers: Morales and Cabezon (S). 9.35 Forqueray (S). 10.00 BBC Scottish Symphony Orchestra (S). 11.30 Melvyn Tan, fortepiano recital (S). 12.15 pm Philip Jones Brass Ensemble (S). 1.00 News. 1.05 Concert Hall (S). 2.00 Music Weekly (S). 2.50 Pritchard Conducts (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Mozart (S). 7.15 Easter Vigil (poetry written by Karol Wojtyla, Pope John Paul II). 7.45 Hans Werner Henze, concert from the Queen Elizabeth Hall, London, Part 1 (S). 8.20 Six Continents. 8.40 Hans Werner Henze, concert, Part 2 (S). 9.30 Barnes' People, monologue for radio by Peter Barnes with Leo McKern (S). 9.50 An Amorous Dialogue, by Morley (S). 10.00 Ravel: Daphnis and Chloe (S). 11.00 News. 11.05-11.15 Mussorgsky (S).

RADIO 4
6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.33 Yesterday in Parliament. 8.57 Weather, travel. 9.00 News. 9.05 Midweek: Henry Kelly (S). 10.00 News. 10.02 Gardeners' Question Time visits Cumbria. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Baker's Dozen. 12.00 News. 12.02 pm You and Yours. 12.27 The Other Side of Silence (S). 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.47 Time for Verse. 4.00 News. 4.02 Alun Williams reflects on "Paperclips and Tension." 4.10 File On 4. 4.40 Story Time. 5.00 PM: News Magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 Quote . . . MacQuote (S). 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 A World in Common. 8.15 The Orient Express. 8.45 Nuclear Energy — the Way Ahead? 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Man of Property. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

RACING

BY DOMINIC WIGAN

DESPITE the presence of Fort Lamy in today's Clayton Handicap at Brighton, I shall be looking to the fillies—Apple Blossom and Hit The Line. There should be little in it.

Apple Blossom had the misfortune to come up against yesterday's highly rated Salisbury runner, Gambling Lord, at Lingfield last time out, and it was to her credit that she only went down by a length after attempting valiantly to overcome a low draw.

Hit The Line, a previous winner at Brighton, is chasing a double after getting the better of Sound Of The Sea in the BPA Betting Offices Spring Handicap over six furlongs at the last meeting. She, too, showed considerable courage, holding off the runner-up in a driving finish after taking up the running inside the final furlong. There should be little in it, but I suspect that Apple Blossom, ridden by Paul Cook, an outstanding Brighton jockey, will come out on top.

Now that Fabulous Dunce, Leopard's Rock, and Dolly Mixture Boy have all been withdrawn from the Channel Handicap, the way should be clear for the locally trained course specialist, Corven. Tony McGlone's mount mastered Hoodwink close home in a selling handicap on this course towards the end of April.

Looking ahead to the season's most important fillies' race—next week's Oaks—it now seems probable that Yves Saint-Martin will be back at Epsom in Mr Daniel Wildenstein's navy blue and white colours which he wore to success on Pawneese back in 1976. Mr Wildenstein has confirmed his filly—All Along—as a definite runner for the Oaks.

BRIGHTON
2.00—Speed Baby
2.30—Apple Blossom***
3.00—Bracadale
3.30—Dover Fort
4.00—Corven**
4.30—Another Thrill

CATTERICK
2.15—Mummy's Apple
3.45—Student Venture*
4.15—Playful Paddy
4.45—Pampalad

APPOINTMENTS

The 'secret' of Japan's success: plain managerial competence

Wolf Reitsperger on a myth-breaking study of Japanese manufacture in Europe

THE HORDES of Western executives, journalists and pseudo-scholars which continue to blitz through Japanese factories on lightning tours have created a mystical aura around Japan's highly successful managerial style. The Press has lauded the ability of Japanese management to create "oneness" and happiness among employees, and to produce the raving workaholics who have propelled Japan to a frontline position among industrial nations. Pseudo-scholars have chorused these sentiments and the thirst of American management in particular for cookbook approaches to the Japanese challenge has brought fame and fortune to those who have capitalised on this interest.

At the same time, Western management has put up a sustained whimper about superior technology, favourable labour conditions, and work attitudes in Japan, and has put pressure on Governments to introduce protectionist measures to avoid competition.

But the crux of Japanese manufacturing success, both at home and abroad, can actually be expressed in one word—competence. Japan's productive superiority is the consequence of its tremendous capacity to streamline and manage organisations so that they achieve continuous improvements in productivity and performance. This is "organisational engineering" of an entirely logical and comprehensible sort.

This is the main finding of one of several three-year-long studies of Japanese management in Europe by a London School of Economics research team at the International Centre for Economics and Related Disciplines. In particular the study looked closely at consumer electronics manufacturing. Among the findings of the research was that Japanese companies in the UK obtained output levels that were more than double that of British manufacturing, and more than 50 per cent higher than U.S.-owned producers operating in the U.K.

At the same time, the study found that the Japanese companies achieved quality levels which far exceeded those of U.S. and UK manufacturing. Reject rates, including component

failure, were roughly a quarter of those of equivalent British companies in the Japanese companies when they were first established, but this decreased to about one eighth within 1½ years.

The frequently discussed superiority of Japanese componentry may provide part of the explanation, but a comparison of reject rates at identical stages of the assembly process showed that those traceable solely to human error in Japanese companies were roughly one tenth of those found in British manufacturing.

Rather than the usual cliches about Japanese personnel management, the country's industrial success rests on altogether less inscrutable techniques of motivating, supervising and rewarding employees, both on the shopfloor and in the managerial hierarchy. Of equal significance is the fact that employee satisfaction varies remarkably widely from one Japanese factory in Europe to another.

This reflects, among other things, the distinctly different management philosophies, policies and practices that the Japanese companies have adopted towards human relations. In our survey it was the UK subsidiary of a U.S. manufacturing company, not a Japanese one, which was perceived by its employees to be the most concerned with personal well-being. Japanese companies were peppered right up and down the scale of employee satisfaction.

Nor does Japanese management generously distribute better fringe benefits or pay than local manufacturers. In this respect, at least, most Japanese companies in Britain and Europe have been found to play the local game by offering the average.

Performance

On the other hand, a particularly key feature of the Japanese approach is the emphasis placed on the individual's achievement of improved performance. In contrast to most of British and U.S. manufacturing, Japanese management has instituted performance feedback systems which indicates the quality performance of each assembly worker. Individual quality performance is fed back informally on an immediate basis, and formally on a daily basis in the form of clearly displayed graphs, coded by error. As a result, individual workers, managers and supervisors are continuously aware of each person's performance.

Such a system is a precondition for success if a worker is to be motivated to improve his performance, whether because of pride in his work, monetary rewards, the opportunity of promotion or just a pat on the shoulder by management.

In Japanese manufacturing the feedback on an individual operator's quality performance is the principal vehicle for assessing his promotability. Roughly 10 per cent of operators in the surveyed Japanese firms are promoted annually to senior levels, and since the companies have abstained from introducing quantity-related bonus systems, higher pay can only be achieved via quality performance and a move up in the promotional ladder.

In the absence of fixed quality goals, and since individual achievement is considered in relation to those of co-workers, employees' own quality goals are in a constant state of upward flux — and with them the quality achievements of the factory as a whole. Under these conditions, planning for "acceptable quality levels" is totally obsolete, since quality that would lead to rewards today might not be considered good enough tomorrow.

Performance improvement is served equally effectively by the role of supervisors in Japanese companies, since employees recognise the need for supervisory competence to help them improve their performance, and ultimately their rewards. It is this, rather than his higher position in the Japanese organisational hierarchy, which increases the supervisory acceptability and power.

In one Japanese company where performance-reward relationships were clearly spelt out, only half as many workers indicated that supervision interfered too much as in a matching British case. Ample evidence of the form this assistance sometimes takes is visible immediately one enters a Japanese production plant, in the form of detailed charts and simple mechanical aids, which are not mass merchandised, but geared to some individual operator's striving for quality performance.

Thus the supervisor plays the role of facilitator and assistant, a different approach than is the tradition in European and American practice.

While the activity of supervisors is extremely similar in all the Japanese companies surveyed in Europe, their styles do differ in line with company philosophy and policies. But these differences tend to affect employee satisfaction, rather than performance; the two are by no means directly related, as the article below argues. Transport by taxi to and from the doctor, and various other practices frequently interpreted as acts of genuine humanity, have the secondary benefit to the company of bringing competent employees back to the assembly line. Visiting sick workers serves a similar purpose.

So such practices serve organisational objectives, especially against the background of an extremely tight personnel allotment in Japanese companies in Europe. This in itself is an indication of managerial competence.

Other factors, especially closed shop and flexibility agreements with one union for skilled and semi-skilled workers, greatly simplify dealings with unions. And marketing strategies which take into account the needs of existing production technology, production organisation and logistic systems allow for efficiency-fostering production runs. This requires an understanding of an organisation as being composed of interacting interdependent parts and not as independent entities.

An example of the lack of such understanding is provided by one British manufacturer, which lost more than 10 per cent of its output because of the complexity of its product mix and order grabbing, which made orderly and efficient production runs impossible. The Japanese avoid such mistakes like the plague.

Before he joined the LSE research team, Dr. Wolf Reitsperger worked in production management for AEG Telefunken in Germany, and then in various capacities in Austria and Japan. He is now visiting professor at the University of Hawaii School of Business Administration.

BOARDROOM BALLADS

THE POWER OF POSITIVE BLINKING

Since wishes, as the young are taught,
Are really fathers to the thought:
And thinking, for the businessman,
Is for avoiding when we can:
And since our board had had enough
Of all this corporate planning stuff,
Finding that it didn't suit us—
All this messing with computers;
We all unanimously stated
That thinking may be over-rated!
Henceforth we would value higher
The use of corporate desire,
And decimate the competition
By force of positive volition!

*

Scarcely had we made a mention
Of our corporate intention,
Than the news leaked out as well
Of our boardroom wishing-well;
Then press and television news
Pestered us for interviews;
And the brokers ran amok
Marking up the company stock.

*

Academic commentators
Rushed to validate the status
Of management by wish-kinetics
As superceding cybernetics,
Locating the astounding credo
In the corporate libido;
And, in a rash of books, rehearsed
Which one of them had said it first,
While every business school was billing
Programmes in collective willing,
Claiming Shinto and Islamic
Sources for the wish-dynamic.

*

Unions were quick to claim
Participation in the game,
Contented that the wages bill
Be settled by collective will;
And moved that plant negotiation
Be based on mass desideration.
And Government, whose every act is
Based on current business practice,
Lost but little time in hiring
The head of corporate desiring,
From a well-known corporation,
To brief the wish-tank on inflation.

*

There is a move afoot, we hear,
To name us Business of the Year.

Bertie Ramsbottom

Next week: Career choice

BUSINESS PROBLEMS — BY OUR LEGAL STAFF

Bankruptcy

In 1976 I was a director of a manufacturing company and in the year 1978 the said company was wound up and a receiver appointed. Now four years later, I am to go on trial charged with fraudulent trading and not keeping sufficient books. Should the case go against me, I have been told I would face a personal bankruptcy. In September 1979 I married and the same month I came to reside and work in Italy and have been here ever since. I have about 70 per cent of my assets in an English bank, including a small portfolio of shares valued at about £10,000 and my wife owns a building plot of land which I bought for her in March 1981.

If I were to transfer my assets to Italy, what jurisdiction if any, would the liquidator have on my transferred assets and also the assets I have already here?

Would the liquidator be able to claim my wife's assets including the building plot purchased last year? Where could I obtain more detailed information on bankruptcy and in particular any books you could recommend on the subject?

If you are no longer domiciled in England a petition in bankruptcy cannot be entertained here, as Section 4(1)(d) of the Bankruptcy Act 1914 would not be complied with. However, if there were an adjudication here all personal property here or abroad would vest in the trustee in bankruptcy, so that a transfer of assets to Italy would only make it administratively more inconvient to get in those assets—it would not place them legally beyond the trustee's reach. Your wife's property would not be affected, but if she holds propery on trust for you the beneficial interest would vest in the trustee in bankruptcy—the building plot probably falls within that category. You may wish to refer to Williams and Muir Hunter on Bankruptcy.

Rent increases

I bought some terraced houses in 1955 the net rents of which are £1.38 per week and the only rent increases I have had have been 12½ per cent on the cost of any improvements I have done. 1—Has the 1981 Rent Act altered the situation? 2—What is a controlled tenancy? 3—What is a regulated tenancy? 4—Is it necessary to provide a handrail on the stairs and if so would it be an improvement? 5—Could I increase the rent say by £1.00 per week if the tenants agreed?

1—There is no 1981 Rent Act. The Housing Act 1980 will probably not have altered your position. 2—A controlled tenancy is one with no qualification certificate, which had a 1956 rateable value of £30: the house was not erected after August 29 1954 or converted after that date; and is a tenancy for less than 21 years which was originally created before July 6 1957. 3—A regulated tenancy is a tenancy within the protection of the Rent Act 1977 which is not a controlled tenancy. 4—Yes to both limbs of your question. 5—No, you should not increase beyond the rent limit. You would be wise to consult a solicitor.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Television

The better part of valour

by CHRIS DUNKLEY

For 10 years I have been writing in this column about what appears week by week on our television screens. This article is different: it is about what hasn't been appearing on our screens. Seven weeks ago today I mused here:

"The Falklands are not Vietnam but will a British Government really order British warships to attack Argentine forces while British television cameras beam back live pictures via satellite into every British home? We shall see." The pun was handy but in its literal sense quite wrong because we haven't seen.

With the phrase "information revolution" ringing in our ears, and the age of the satellite supposedly upon us, what pictures greeted viewers of the main ITN news on the night the Royal Marine Commandos and the Parachute Regiment stormed back into the Falkland Islands? Some nice artist's impressions in pastel and water colour painted in London.

Having spent millions of pounds recently on satellites, ground equipment, and ENG (Electronic News Gathering) when it came to the crunch the news programmes found themselves depending upon a breed of man that virtually disappeared with our grandfathers' generation: the rapid sketch artist whose work was so familiar to readers of the Illustrated London News during the Boer War.

Though British diplomacy may be keeping our end up around the world, the Argentines have, until very recently anyway, been winning the information war hands down. It is not only British audiences which lack British pictures but audiences in the U.S., Mexico, Spain and everywhere else. Millions of viewers in friendly and neutral countries as well as allies of the Argentine have by default been receiving a one-sided anti-British picture so far as actuality material goes.

At the time of writing there are just two routes by which British pictures are reaching London: stills, which have become television's staple, are sent by facsimile transmitter to Ascension Island and from there to the London offices of Cable and Wireless where they are vetted by a Defence Ministry official. ENG cassettes are travelling on board what has become a regular shuttle service of tankers and other fleet auxiliaries returning the 4,000 miles to Ascension Island.

In order to achieve even this, it was necessary to send facsimile transmitters out to the Task Force quite recently (it turned out that, contrary to earlier understanding, the Navy did not have any) and for BBC, ITN and Cable and Wireless to "lash up" a special arrangement for the ENG transmissions from Ascension Island which, incidentally, is off-limits to television and Press even when they are willing to hire their own Lear jet to get there.

The blame for these serious losses by Britain in the information war appears to lie not with the television news services but with the hierarchy of the Royal Navy and the upper reaches of the Defence Ministry's bureaucracy.

One television news executive told me bitterly: "At the very beginning the Navy's attitude was that the Falklands affair was an entirely private do, to be played with a Royal Navy bat and an Argentine ball and nothing to do with the television johnnies."

Another said: "Mountbatten must be spinning in his grave. Seven weeks ago they gave news and information far too low a priority, failed to consult anyone from the news organisations about what was needed, and only now are they realising their mistake. The Army learned all about the modern war of information in Northern Ireland and they are quite contemptuous of the mess the Navy has made."

Human error was aggravated from the outset by technical problems which have bedevilled television coverage and are only just starting to be solved. Until recently the broadcasters were getting precious little help in their solution.

At the very beginning BBC and ITN news decided that neither was likely to get any real edge over the other in terms of facilities in the South Atlantic and they agreed to cooperate. Their first shock was to discover that if the Royal Navy had its way no television staff at all would be carried on their ships. It took intervention from Downing Street to ensure that Hermes would carry one BBC cameraman and one sound recordist working as pooled staff for both BBC and ITN, plus one BBC reporter (Brian Hanrahan) and one from ITN (Michael Nicholson).

As the combination of calmness and vividness of these reporters' words, both spoken and reprinted, becomes ever more familiar both men are acquiring great stature and proving their organisations right in choosing them. Yet, so far, their reports have been more effective on radio where the listener's mind expects to supply the pictures than on television where we expect the screen to supply them.

Hermes also took one reporter and one stills cameraman from the Press Association, the news agency co-operatively owned by Britain's newspapers. Merely having men with the Task Force did not ensure a supply of news for Press or television, however. Not only did the forces fail to take any journalists to witness—let alone photograph—the liberation of South Georgia, for instance, but when it comes to sending home reports there are two sets of MoD "officials" (in any other country we would call them censors) to contend with: one on hand with the Task Force and the other at the Ministry in London through which all copy flows. Their efforts are added to the effects of three general D-Notices suppressing classified information.

Hence the fury of news chiefs in London when Mrs Thatcher and others began to inquire hawkishly why the British mass media was failing to tell "our boys' story." One seething television news executive suggested that her aides should point out the cause: "HMS Silencer sitting 500 yards from her own front door."

Frequent meetings between Government and MoD officials and the heads of BBC News, ITN and the Press Association (Peter Woon, David Nicholas and David Chipp) rapidly escalated to a very high level. It took the intervention of the Defence Minister himself to ensure that another television news crew was taken aboard the Canberra when she sailed, and it began to look as though only a direct instruction to the Task Force commander, Admiral Sandy Woodward, could have any effect on the technical delays and that the only person to give that instruction was the Prime Minister herself.

It had become clear that what was needed was not merely less obstruction and obscurantism from the Navy but, in the unusually testing conditions of the Task Force, a lot of positive help if technical problems were to be defeated.

In addition to the film crew and the journalists Hermes had set out with one bright young ITN engineer on board whose job was to fix up some means of satelliting material back from the ship. With help from Navy communications staff on board (enthusiastic at that level, it seems) he did create a system capable of transmitting monochrome material but there were two huge snags: first it would only send ENG and his colleagues found that ENG was subject to bad interference from Naval radar; and second, in order to operate it the Navy had to close down most of its own electronic equipment. So the ITN engineer left Hermes at Ascension Island.

From that point, several weeks ago, until the last few days television has been involved in a perpetual battle to get anything at all back from the South Atlantic to London. There is widespread agreement among television news executives that if it was the U.S. television networks involved, the U.S. Government would long ago have leaned on the U.S. Navy and ensured that all the technical hitches were straightened out.

Satellites are the obvious answer, but the only South Atlantic satellite which can be "seen" from London does not have a footprint covering the Falkland Islands to give an upleg, so even assuming no interference from the fleet's electronics, ENG could not be satellited direct.

In desperation London news chiefs have floated some bizarre suggestions: sending film up in a very high flying tethered balloon to be scooped out of the sky by long-range Nimrods like a non-stop steam train picking up mail (not technically impossible, I am assured); or a helicopter delivery service deck-hopping through the back-up fleet all the way to Ascension Island to deliver film.

Until something can be made to work British viewers must expect to go on waiting anything up to a fortnight for their television newsreels. Today or tomorrow the news programmes are hoping to have pictures of the sinking of HMS Sheffield.

In the other direction information is flowing with suspicious speed and efficiency. Cassettes of London news programmes (not to mention the Cup Final) are reaching the men in the Task Force just 48 hours after being broadcast in Britain and mail is reaching them remarkably swiftly too.

No one grudges them that, but it is difficult to avoid the conclusion that the Royal Navy, uninvolved in any major hostilities for a generation, has decided that where information travelling home is concerned, suppression is the better part of valour. No doubt they dread the effect on national morale if the sinking of the QE2 (heaven forbid) or some such disaster were to be shown virtually live in Britain.

Whatever the reason, deliberate policy or sheer cock up, they are, surely, wrong. Though the U.S. may eventually have lost the Vietnam war on television that was chiefly because they should never have been there in the first place and television proved it. Britain is fighting the closest thing there is to a just war, at the dawn of the age of information, and truth on screen in every front room—fast—is the best policy.

Falklands Crisis: 'The blame for serious losses by Britain in the information war appears to lie not with the television news services but with the hierarchy of the Royal Navy and the upper reaches of Defence Ministry'

Zebava Gal and Andrew Foldi

Glyndebourne

Il barbiere di Siviglia

The most interesting feature of the pleasant but unremarkable Barber revival which on Monday opened the 1982 Glyndebourne season was Sylvain Cambreling's conducting of the London Philharmonic Orchestra. The partnership made an often-heard score sound intensely fresh and colourful; in details of phrasing, in matters of balance, and in choice of tempos moderate as to speed but by no means moderate in terms of dramatic vitality, Mr Cambreling asserted a view of Rossini original without being eccentric.

John Cox's production was introduced here last year; it is revived in a way to give an audience much pleasure while failing to persuade me fully that Mr Cox's ideas about producing the most famous and familiar opera buffa proceed far beyond the elegant working-up and precise interlacing of some very nimbly enacted routines. The style, in the comedy exactly as in the ingenious designs of William Dudley, is attractive without being wholly coherent—what one missed, by the end of the evening, was the sense that one takes from the finest operatic comedies, that the characters might still be pursuing their existence beyond the confines of the proscenium arch.

Perhaps the gap between the brightly confident address of the performance and a truly stylish finish was opened by a partly new cast (other singers from the 1981 Barber return later on), whose ensemble seemed less than perfectly set or matched. The most distinctive contributions are made by John Rawnsley's outsize (in all senses) Figaro and Zebava Gal's Rosina, both of them by now well practised in their roles. Mr Rawnsley's barber offers so much vocal freedom and ring and so much confidence in the braggadoccio buttonholing of his audience, that brashness was sometimes only just avoided. The Israeli mezzo treated us to a bounty of lovely, delicately inflected, warm-spirited Rossini singing unnaturally aligned to the peri mix we too often saw in action.

A new Almaviva, the young American Robert Gambill, has an open appearance and so easy vocal manner, impressively agile in the later stages of the evening; what he needs urgently to acquire is a surer grasp of vocal style, which to turn will lead his impersonation a sharper identity. The two buffos, Andrew Foldi (Bartolo) and Curt Appelgren were proved useful practitioners of comic business, though in the case of Mr Appelgren's Basilio most of the fun seemed to come from the open-toed sandals and the scarecrow hat. An heroic top line to the Act I finale let loose by Catherine McCord's Berta stand out in the memory from much about the show that was undemandingly amiable.

MAX LOPPERT

Grand Theatre, Leeds

Così fan tutte

I last saw Così fan tutte in a conscientious but uncommunicative version by Scottish Opera, who had jettisoned Ruth and Thomas Martin's translation for the supposed attraction of the original language. The resourceful use of that neat and witty American translation is at the heart of this splendid new production by Opera North.

Relishing the words, the six soloists convey to the audience not only the absurdities and comic embarrassments of the plot, but the true passions lying just under the surface. No puppets are these lovers, even when the couples become dangerously mis-assorted. The physical contact of Dorabella and Guglielmo comes as a shock on stage, but it is a shock that convinces — especially when their duet is sung with such accomplishment by Patricia Parker and Robert Dean.

There is an early visual cue to this plausibility. In most productions the sisters represent in deepest mourning in exaggerated reaction to their lovers' departure. Such patterns of artificiality are avoided in Graham Vick's alert, imaginative production, in most respects well served by Russell Craig's designs. The servingmaid, Despina, is less of a minx than usual, which perhaps imposed a constraint on such a vivacious performer as Kate Flowers. But the effect is not to topple the comedy into an inappropriate gravity, as Peter Hall did at Glyndebourne. It is to humanise it, and to banish any possible boredom from the long sequence of solo arias. A minor irritant is the black-clad, masked chorus, apparently strays from a different show.

David Lloyd-Jones, the artistic director of the company, has sought no specialisation as a Mozart conductor, but here he directed a performance of noble line and warm spirit. (I query some of his added vocal ornamentation.)

The best solo item was a quite ravishing performance of "Per pieta" by Elddwen Harrhy, whose Fiordiligi decisively improved in the second act. Rodney Macann was an admirable Don Alfonso, though rather too young in appearance: Kate Flowers and Robin Leggate (Ferrando) sang well, but may be in still better form as successive performances are given in Leeds, Norwich, Nottingham and York.

By then, let us hope, the jarring effect of shadows walking on the back-cloth will have been removed—and an elegant salon chair will no longer be casually stuck into a sandy beach.

ARTHUR JACOBS

Lyric Studio, Hammersmith

Berenice

by MICHAEL COVENEY

The rhyming alexandrines of Racine are one of my favourite schoolboy memories and Phèdre the chief pleasure of an O-level swot. Berenice (1670) precedes that masterpiece by seven years but proves, in this enthralling revival by Christopher Fettes, well worth the effort.

As in his Britannicus revival of last year, Mr Fettes turns to the Penguin translation of John Cairncross, admirably lucid and rhythmical, but preferring an iambic metre to the alexandrine. The effect is like hearing Shakespeare rendered in good French prose, say those versions prepared for Peter Brook's Paris theatre: accurate in content but inaccurate in "feel."

More important, perhaps, is the decision to eschew the declamatory heroic style of Racine's theatre in favour of a chamber concentration on naturalistic emotional depth charges. The tactic works admirably. As designed by Kandis Cook, ancient Rome—or rather the anteroom of the new Emperor Titus—is an art deco minor folly, walls daubed in pink and silver, furnished merely with two standing lamps and a beautiful chair.

Titus has been in love with Berenice, Queen of Palestine, for five years but, on succeeding his father Vespasian, is suddenly susceptible to political responsibility. In terms of Racinian tragedy, this dilemma resolves itself in a discussion of "gloire" or honour. The triangular arrangement of the piece is completed by the devotion of Antiochus, King of Commagene, who has adored Berenice for a similar length of time. Each party is accompanied by a confidant, the play dealing in major shifts of emotional and sexual loyalty at the expense of hysterical blood-letting or peripheral mishap.

In the course of five brief acts, the Berenice of Sheila Gish acquires a most interesting tragic weight. For a start, she is considerably older than the callow, rather stilted Titus of Martyn Stanbridge. She also manages to re-define the tragic role as that of a swish salon beauty banished to early spinsterhood. All the echoes of Cleopatra disappear at the sight of her melting, tearful disintegration.

Titus emerges as a dithering prig, Antiochus (in Peter Eyre's eloquent but occasionally over-projected performance) a stoical romantic. The chair is first used in Act V, when Berenice slumps between her two suitors. Mr Eyre's best moment comes when he reveals to Titus his devotion to her. And the final passages are brilliantly handled by Miss Gish, pitching her tragic speech somewhere between pained despair and stiffed, heroic resilience.

Festival Hall

When lilacs last . . .

by RONALD CRICHTON

The Royal Choral Society on Monday evening gave Hindemith's Requiem "for those we love" one of its rare hearings in London. They deserve credit for doing so. Nothing needs more courage than the programming of a major work by a big, unfashionable 20th century composer. On this occasion not even the attraction of John Lill playing Beethoven's E flat concerto filled the hall.

Walt Whitman wrote "When lilacs last in the door-yard bloom'd" after the killing of Lincoln. Hindemith set the poem in 1946 after the death of Roosevelt—the Requiem also marked the composer's assumption of American citizenship. The combination of Whitman and Hindemith is, to English ears expecting Delius or Vaughan Williams, improbable. Hindemith uses mixed chorus, orchestra and (just as the two British composers mentioned above might have done) mezzo and baritone soloists.

There any resemblance ends. Hindemith remains the serious, bugely competent composer he became in middle age. The emotional pull of the Requiem is restrained but not weak. The harmony is grave, sometimes acrid. The instrumental textures are muted, like the sandy finish of much German painting. The enormous ability does not disguise some commonplace, grey invention. Once or twice, in the big choral fugue for example, the wheels begin to turn with alarming fluency.

Fortunately, the machine stops in time. Nothing in this score goes on for long. Many pages strike home. Of the poem's chief symbols—lilacs, evening star and hermit thrush, the last-named seems to appeal most personally to Hindemith. In the choral writing there are suggestions of Walton which should be looked at the other way round, as belated evidence of one influence on Walton's style.

Meredith Davies had prepared a performance of a quality to make converts. Nothing ponderous, but a clarity and purposefulness enabling words and music to seem uncomfortably well-suited to these times. There was not quite enough attack in the fugue, but mostly the Royal Choral Society sang like a good small choir on its toes—a nice compliment to be able to pay to such a large body.

The contributions of the soloists, Margaret Cable and Ian Caddy, were entirely fitting. In the first half the Emperor came up fresh in a telling reading with taut orchestral playing and a strong, broadly-phrased account of the solo part from Mr Lill.

Elizabeth Hall

Bolet

by DOMINIC GILL

In theory, Jorge Bolet's piano recital on Monday should have made a fine contrasting postlude to Horowitz on Saturday—for to the Russian, the Cuban is both antithesis and sibling. Antithesis in his deliberate calmness, his containment, his almost studied avoidance of the manic and mercurial; but a brother from the same age of keyboard sensibility, which understands the piano as a "speaking" instrument of orchestral potential and nearly limitless expressive range.

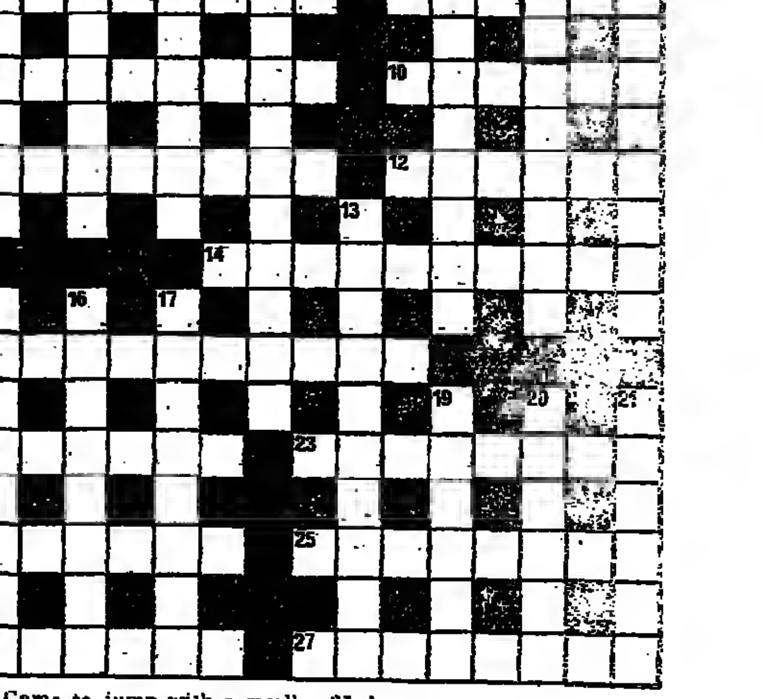
As it happened, Bulet was not on his best form. In Schumann's C major Fantasie he was nowhere near it: a laboured and pedantic account, heavy in spirit, fragmented in impetus. Even in a group of five Liszt transcriptions of Schubert songs, which one has heard Bolet give before with magical poise, the playing seemed weighed down with anxiety: dark clouds hung sombrely over the Song of the Lark. He came nearest to achieving his stride in his finale of Liszt's Mephisto Waltz no. 1; but though the nerves were taut, the poetry was muted. No matter: off-days are a risk of the game—and Bolet's admirers will be happy enough to bide their time.

Sponsorship for Palace, Watford

After a successful year during which attendance figures averaged 97 per cent of capacity, the Palace Theatre, Watford, has announced that its autumn season will be sponsored by a local company, CASE, the data and office communications suppliers.

THEATRES

F.T. CROSSWORD PUZZLE No. 4,881



ACROSS

1 Soldiers agree intellectually . . . (8)

5 . . . and note where they may live (6)

9 Bone grinder making Norman moulding (8)

10 Salt or Ordinary Seaman with ship's officer (6)

11 Projecting a weapon from the east (8)

12 Be dissimilar and wrangle (6)

14 Comedian Dick's material could be abrasive (5-5)

18 What the secretary may use to change notes attached to diagram (10)

22 A wise utterance or a clue without one letter (6)

23 Irrational sailors taking on worker (8)

24 Lively putty I mixed (6)

25 Musician or entertainer giving a dark look? (8)

26 Potter taking a parasitic plant (6)

27 A very thin outline (8)

DOWN

1 More insane root of red development (6)

2 No note on Holland's dram? (6)

3 A river-head and river to create alarm (6)

4 Barrie's stomach (6, 4)

6 Natural propensity found in Salicin's tincture (8)

7 Game to jump with a swelling in the throat (4-4)

8 They must admit cunning body of divine rulers (8)

13 Fail to include a good fellow and make a blunder (4, 1, 5)

15 Mixed however placed in order (8)

16 Late taking role in an act (8)

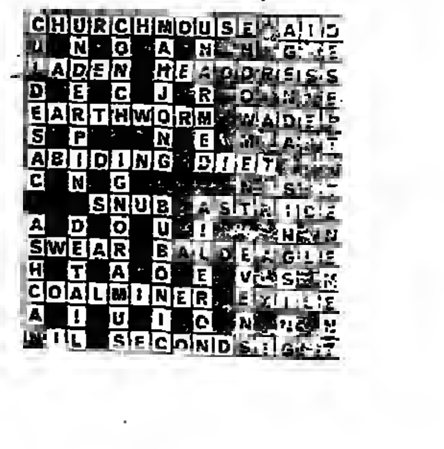
17 Pass, pass by degrees, and lose heart (8)

19 Dainty walrus left (6)

20 Get around a cleric in an upper room (6)

21 Just one runner? No, lots turned up! (6)

Solution to Puzzle No. 4,880



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The future of the islands

SINCE THE breakdown of the negotiations conducted by the UN Secretary General at the end of last week, the situation in the Falklands has changed in several important respects. First, the British bave landed a substantial force on the islands, the scale of the fighting has been intensified and both sides have suffered heavy losses in men and equipment. Second, no serious diplomatic attempt to end the fighting by negotiation is in play or in prospect. Third, there seems to have been a change in the British Government's objectives, both the short and the longer-term.

Intention

Mr John Nott, Defence Secretary, made it clear in the House of Commons on Monday that the military aim was to repossess the Falkland Islands and there could be no question of negotiations until that aim had been achieved. He warned that the fight would not be easy, but the intention was to free the islands from occupation by military means and to restore "full British administration."

In the middle of last week the British Government was seeking by a combination of military, diplomatic and economic pressure, to induce the Argentines to accept a negotiated settlement; to this end Britain was prepared to consider a mutual withdrawal of forces, a temporary UN administration and negotiations about the longer-term status of the islands without prejudgment as to the outcome.

This offer, having failed to elicit an adequate response from Argentina, has now been withdrawn. The British Government no longer appears to be thinking in terms of offering Argentina a way out which could in some degree save the face of the Argentine leadership. Indeed, ministers are indicating that to all intents and purposes the Argentines have disqualified themselves for the foreseeable future from any role in the Falkland Islands. The Government has not wholly discounted suggestions that it may be prepared to consider a virtually open-ended British commitment to the support and protection of the islands.

Questions

If this is an accurate description of the current British position, two questions arise. First, why does the British landing exclude the possibility of a negotiated settlement before rather than after an Argentine surrender? It seems to us that a settlement remains preferable to a battle whose course and outcome are highly dangerous and unpredictable. We believe that a negotiating option should remain available in the hope that, even at this late stage, Argentina might be persuaded to prefer a diplomatic to a military outcome.

That does not imply acceptance of an unconditional ceasefire or restrictions on the ability of the British task force to strengthen and extend its bridgehead on the islands. Yet even if negotiations are not resumed and fighting continues to the point where Britain establishes clear military dominance, it will still be necessary for the Government to state its own terms for a ceasefire, including the conditions under which the withdrawal of Argentine forces could be facilitated.

Danger

The second question concerns the longer-term. During the seven weeks of the crisis there has not been complete clarity about the British aims. Mr Nott said in the House of Commons on Monday that any question of talks about the long-term future of the Falklands Islanders "must be left aside for the moment." Mr Francis Pym, the Foreign Secretary, suggested on American television that a period of six-12 months after re-possession might be necessary before major decisions about the future.

Mr Nott went on to acknowledge that "eventually some long-term accommodation will be needed between the Falkland Islands and other countries in that area." The important point is that the future of the islands should not be seen purely in terms of British sovereignty. There is just a danger that an excess of British nationalism may lead people to believe there can be a return to something like the *status quo ante*.

Our own preference is for a settlement which recognises the economic and geographical realities of the Falklands and removes a dangerous bone of contention between the UK and Argentina, and perhaps other parts of Latin America. The idea of UN trusteeship, as outlined by the Government last week, still seems the most attractive option, both in that it would take account of the interests of the islanders and could provide international guarantees for the status of the islands.

The World Bank woos the banks

AFTER A DECADE in which the financing of developing countries became abruptly, and worryingly, dependent upon private sector commercial banks, it is encouraging to hear Mr Tom Clausen, president of the World Bank, suggest that the World Bank and the commercial banks should henceforth work more closely together.

As the former chief executive of Bank of America, Mr Clausen is well placed to act as a bridge between private and official flows of finance. And now that he has convinced himself of the efficacy of the World Bank's approach he is also well placed to persuade the best-help-is-self-help school in the Reagan administration that soft loans to impoverished developing countries need not be a waste of the tax-payer's money.

Overtures

Mr Clausen made his overtures to the commercial bankers at the International Monetary Conference in Vancouver. He proposed three forms of co-operation. He suggested that the International Finance Corporation, the World Bank arm which lends to the private sector in developing countries, should collaborate more with commercial banks. He also wants it to widen its area of interest to embrace the poorest nations—sub-Saharan Africa, for instance.

His second suggestion was that the World Bank might promote a multilateral insurance scheme to attract private sector funds towards Third World countries. His third was that the World Bank should encourage the growth of co-financings, whereby commercial banks help raise the finance for World Bank projects. Mr Clausen even suggested that the World Bank should itself participate in commercial bank loan syndicates.

The World Bank President is being more a pragmatist than a visionary in making these suggestions. He is satisfied that the World Bank should counter the recession by acting as a catalyst for international investment, but he knows that his institution does not have much financial leeway.

The international bond markets are losing their appetite for World Bank bonds. The World Bank's articles of association still restrict it to lending no more than its subscribed capital plus reserves. A number of Western governments have recently cut back their contributions to the IDA—the World Bank's soft loan arm. Given these constraints, co-financing with the commercial banks is an obvious way of putting more financial muscle behind the World Bank's programmes.

But there is more than expediency behind Mr Clausen's appeal. It is becoming clear that some of the commercial bank lending to soverign states which took place during the last decade was not money well invested: it should have been more closely linked to projects or to economic programmes which would generate the promise of repayment. It is the prospect of more constructive lending, based upon a better informed assessment of the borrowing economy, which makes the idea of World Bank co-financing attractive.

Problems

Significant practical problems remain, and are the reason why World Bank co-financing has not already taken off of its own accord. Some major borrowing countries are averse to such co-financing; they prefer to divide their creditors, the better to rule them. It is also questionable whether banks involved in a co-financing can have better status as creditors than banks which have extended normal syndicated loans. The World Bank is working on a "broad array of new co-financing techniques" and commercial bankers will await them with interest.

If the practical problems can be sorted out Mr Clausen's appeal deserves support. It makes much more sense for official and private providers of international credit to re-inforce one another than for either the World Bank or the IMF to inflate themselves into the sort of mega-agency sometimes suggested as part of a New World Economic Order.

HOW SUZUKI WON IN INDIA

The people's car from Japan

By John Elliott, Industrial Editor

SO YOU have come from Europe to discover how the Japanese manage to beat Europeans in the India car market, the head of a Japanese trading house in New Delhi said, laughing in that manner which means a serious point has been made, and no help will willingly be given.

His remark underlines the surprise in Europe's car industry when Suzuki last month won the contract to make cars and small vans in India, beating French, German and British manufacturers in an area that they have dominated for years.

Renault has been lobbying in India for a decade, knowing that eventually the country would have to modernise its main car models which are now 25-30 years old. Several other European companies have been involved as well for several years, seeking the lump sum payments and continuing substantial flows of cash which the winner of such car projects receives.

The deal—which is due to be finalised next month—is specially significant at a time when India is opening up for collaborative contracts with outsiders, slowly reversing its policy of near-total self-sufficiency.

France has won a major £90m telecommunications contract, beating the UK which has just lost control of a £1.5bn steelworks order, while holding on to £230m of power station business. International competition is therefore hotting up for Indian orders and Suzuki's success comes at a time when various other Japanese companies—Toyota, Nissan, Mitsubishi and Daihatsu—are moving into the Indian commercial vehicle market.

The Japanese and Indians are however not usually regarded as natural industrial partners. India's labour disruption, power shortages and other infrastructure problems can seriously upset the calm and methodical production methods of the Japanese.

"We do not like being involved in manufacturing industry here, though we do a lot of trade," Japanese businessmen told me in Bombay and Delhi. "The bureaucracy and foreign ownership laws mean Japanese people are not anxious to invest."

The proposed Suzuki car deal is not only Japan's biggest coup so far. It is also thought to be the biggest new foreign investment from any country since India introduced investment laws, nearly 10 years ago.

Suzuki is linking up with the Government-owned Maruti-Udyog company, which has an unused motor factory just outside Delhi. It will produce its 800 cc front wheel drive SS80L, which was launched last year in the UK as the Alto, progressively switching basic manufacture from Japan to India.

The story of the deal goes back to the late 1950s and early 1960s when the Indian Government started thinking about modernising its car industry. Despite proposals for a "people's car," nothing happened. The motor car was—and still is—regarded as a luxury item of little relevence to India's 680m population and therefore of low priority for the country's scarce resources, especially foreign exchange.

The 1970s fuel crisis sharpened interest in developing more economic vehicles and some 10 years ago three companies were licensed to produce small all-Indian cars. One was Sunrise Auto Industries of Bangalore (which is now launching its first four-wheel car based on a British Reliant design) and another was Maruti Udyog, founded by Mr Sanjay Gandhi, son the Prime Minister who had been an apprentice with Rolls-Royce in Britain.

None of the projects succeeded. Sanjay's Maruti plans collapsed spectacularly in scandal and court actions after only about 30 cars were built, leaving empty the vast 80,000 sq metre factory that Suzuki will now occupy.

Sanjay was killed in June 1980 and his crippled company was nationalised three months later. From then on, in most people's opinion, the future of India's car industry was inextricably bound up with Mrs Gandhi's wish to honour her late son, firstly by making good use of his discredited Maruti factory, and secondly by realising his dream for a small car.

But the Industry Ministry at this time was still pursuing ideas for larger cars with Renault and Volkswagen.

Tenders were invited by the Industry Ministry for a five- or six-seater car from foreign companies that would take a 40 per cent equity stake and buy back for export half the planned production of 100,000 cars a year.

The Government did not feel it received enthusiastic tenders because the companies that bid—including Renault, Peugeot and BL—refused the equity and buy-back conditions. The companies generally limited their equity bids to 10 per cent, or the equivalent of money spend by India with the successful company on know-how or machinery.

In April 1981, the newly-nationalised Maruti itself took the issue over. At this stage, Renault's largish one-year-old R18 was the favourite car, beating BL's Ital (the revamped Marina) and a newer Peugeot model. But the mood and pace of the talks changed once Maruti was in charge—although its strategy remained unclear.

In September, having decided to drop the buy-back conditions which they believed would be unenforceable, Maruti went to see the four continental European candidates. It was visited during the trip by BL which was keen to re-enter the fray, having upset Indian sensitivities earlier by saying in Delhi, when trying to sell the Ital, that the Metro was too sophisticated for India. (This remark which may have had more to do with manufacturing methods than the finished product, was still reverberating round Delhi nearly two years later.)

Maruti told the Europeans it wanted a car under 1,000 cc to fill its "people's car" concept, preferably with four doors to make it look larger than a mini-car, and with low fuel consumption.

BL's Mini, which was on offer, lost out by having only two doors (the company said it could not even add a third). Renault switched from its R18 to the slightly smaller R9. Peugeot offered a new 1,000 cc design, and Volkswagen the Jetta.

But Maruti was still unhappy with European styles and prices and went to Japan in November to see manufacturers who a few months earlier had been showing scant interest. Renault may have realised its fate when Mrs Gandhi visited Paris and failed to promise a deal.

In Japan it appears that Maruti found what it was looking for in small, cheap, four-door, fuel-economic family saloons, easily convertible into other vehicles.

This tipped the scales in favour of a modern vehicle rather than the sort of older models which companies like Renault and BL had been offering more cheaply (cutting capital costs by perhaps 25-30 per cent).

It is often argued that India does not need a modern car (just as it can manage with older technologies in other fields). But on this occasion pride, political expendiency, and commercial sense came together.

So by the end of November a Japanese winner seemed virtually inevitable. Renault tried to recoup some ground in the final days with an outline offer on its small R5.

Volkswagen suggested its Polo, and BL even offered a four-door Metro for 1985, with the Mini in between. But BL by this time was one of the highest bidders, way above the Japanese, having failed to sell its relatively cheap Ital which was based on gradually switching a complete production line from Cowley to Delhi.

In commercial terms the choice was made on the basis of three-part bids put in by all the companies. These covered an initial lump sum (anything from £500,000 to £8m according to one competitor) on which Suzuki was said to be specially low; continuing royalties amounting to 3 per cent or less of the factory cost of Indian-made items (which therefore rise as Indian manufacture increases); and the price paid for knocked down kits, on which the Japanese are also said to have been specially low.

Suzuki (which had just expanded in Pakistan) won on a very low tender—more than 50 per cent below European competition—for a 10-year deal. It also won on the flexibility of its models based on one power train, as well as on its equity offer. It beat Mitsubishi and a partnership of Nissan and Subaru from Japan, in addition to the Europeans.

It has agreed to take at least 25 per cent, and not more than 40 per cent, of the project's equity. Mitsubishi was only prepared to commit itself to 10 per cent and Nissan would not be specific on any figure.

How big an investment 25 per cent will involve depends on the total cost of the project—generally assumed to be not much less than Rs 2.5bn (£150m). It will also depend on how the total is split between equity and Government loans and grants—figures that are now being negotiated in Tokyo and Delhi for the final deal that is supposed to be signed by the end of next month.

Suzuki is thought to want to invest not more than £15m-£20m. It may also suggest that it should start with a smaller equity stake—say 10 per cent.

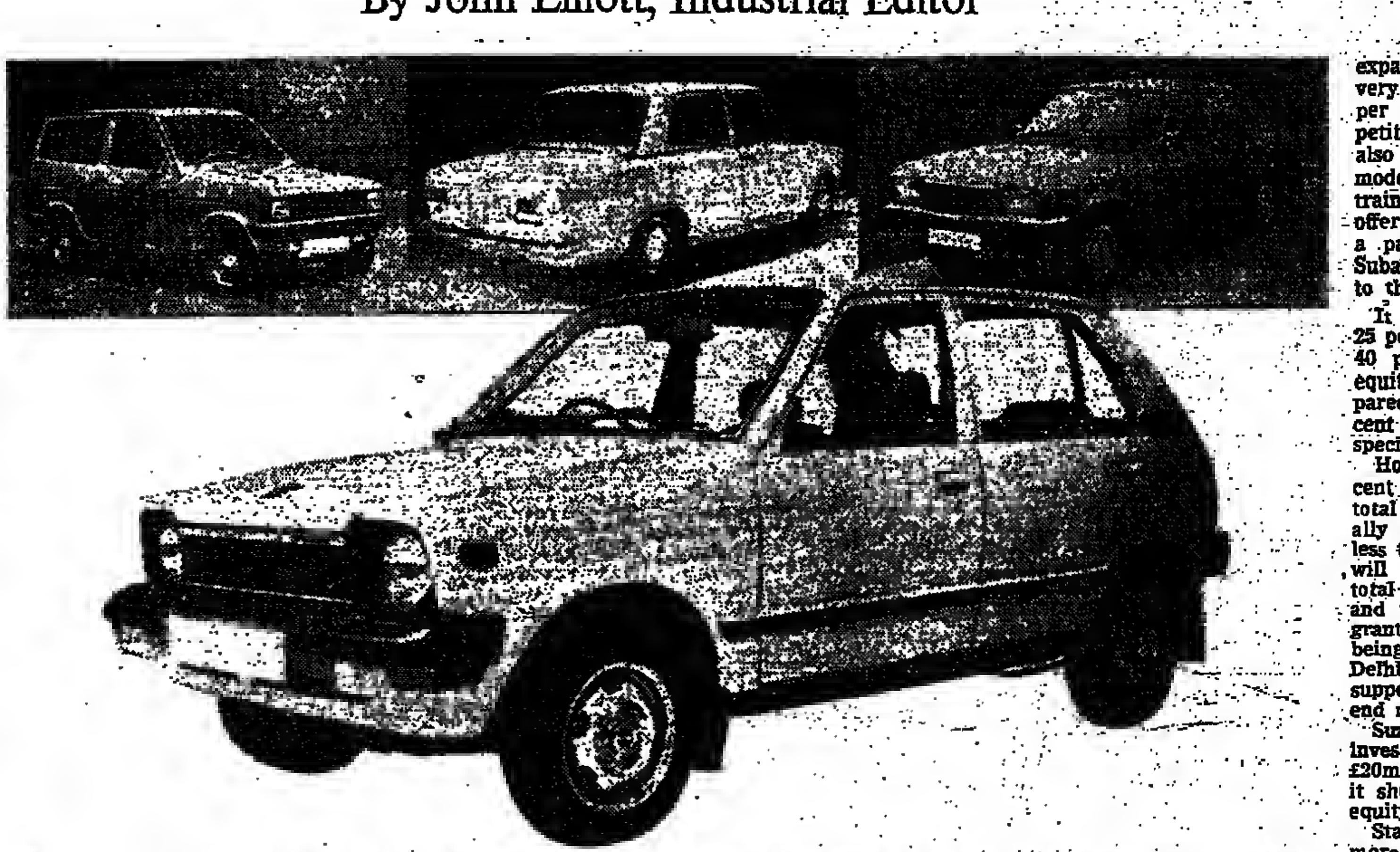
Starting with 70 per cent or more of the vehicle being imported in kit form from Japan production is planned to build up from 20,000 units in the first year—1984—to 100,000-150,000 after five or six years. By that time, 90 per cent should be Indian-made, in line with Government policies.

Some 60 per cent of the Indian production will be vans and pick-ups (with a four-wheel drive version probably following later), leaving 40 per cent for the four-seater, four-door car.

This mixture of products is likely to get over the problem of there possibly not being enough demand in India for all the cars at a selling price likely to approach £3,000 (Rs55,000). That price, which depends on the Government agreeing to a Maruti request for import duties on components, to be reduced from 120-160 per cent to 25 per cent.

Assuming Suzuki's negotiations with Maruti are successful assembly of cars is scheduled to start at the end of next year. This tight deadline is regarded as feasible by other companies involved. Maruti, however, has only about 40 managers on its book so far. It will have to build up a management team quickly, maybe asking the Indian Government for permission to exceed public sector pay limits which are less than half those paid in India's private sector.

Many Indians, used to larger lumbering cars than the Suzuki, now say the 800 will be too small for their needs and their rough roads. They complain they are only getting it because of the Sanjay dream of a small people's car, which has become politically respectable as his memorial. What certainly seems clear is that it was the need to realise that dream that opened the door for the Japanese victory in a European-dominated industry.



PRODUCTION of the Suzuki 800 cc car (centre) with pick-up and van derivatives at a planned rate of 100,000 to 150,000 vehicles a year by 1987-88 will radically transform India's aged motor industry.

Total output of cars in India has remained stagnant at not more than 35,000 vehicles a year for the past 20 years and only two models are produced, a version of the British Triumph Herald having been stopped by the Indian-owned Standard company a couple of years ago.

Hindustan Motors of Calcutta makes a large Ambassador saloon, based on the Morris Oxford of the early 1950s. It is now to be revamped with the body of the Vauxhall Victor VX series (top right) which went out of production in the UK in 1978. The body tooling and dies have been bought from Vauxhall for about £3m.

Premier Motors of Bombay makes a Fiat 1100 derivative, which is almost as old as the Ambassador and is being modernised with the body of the Spanish Seat 124 (centre top), similar to the obsolete Fiat 124. Premier is spending some £20m on the project to boost is production from 20,000 to 30,000 cars a year.

A newcomer is Sunrise Auto Industries of Bangalore, which this month launches a four-door fibre-glass saloon called the Dolphin (left) under licence from Reliant Motors of the UK.

Men & Matters

Lloyd's mugs

Lloyd's underwriters, I do believe, are regaining a sense of humour amidst their trouble-ridden insurance market.

Record losses from the ill-advised computer leasing insurance—$500m and still counting—in the late 1970s did not leave Britain's premier insurance market with much to laugh about. The unworldly men of Lloyd's had failed to appreciate that technology advances and outside Lime Street is a wicked world. The result was that underwriters were flooded with more than 20,000 insurance claims.

Murray Lawrence, a deputy chairman of Lloyd's, was one of the many who were caught and for the last few years has headed the working party that has been trying to sort out the mess.

Underwriting members of the working party recently held a lunch in Lawrence's honour and presented him with three silver tankards in appreciation of his efforts. The tankards were inscribed: "To W.N.M.L. from the other computer mugs."

Bus driver

In the battle for the £65bn passenger jets market over the next 10 years, Airbus Industrie, the European consortium in which British Aerospace has a 20 per cent interest, is clearly not going to surrender North America meekly to Boeing.

The European Airbus, in a neatly-timed coup, has secured one of America's leading transport experts as its top salesman there. He is Alan S. Boyd, the out-going chairman of Amtrak, the Government-subsidised passenger rail service, and former chairman of the Civil Aeronautics Board.

Competition for world airline orders is going to become intense between the Airbus A300, the new and smaller A310 and Boeing's 757, 767 and 737-300.

And Boyd, remembered in London as a tough negotiator who led the U.S. team in the talks five years ago that secured the Bermuda Two air services pact, seems a good choice to represent the Europeans at the sharp end of the business.

"He's a tremendously effective politician, a real pro," says Bracey Williams, a former U.S. under secretary of commerce. "He combines studiousness and a complete understanding of the transport system with a fine sense of how Washington operates."

Boyd's political canniness and contacts come from 25 years experience in the capital where he arrived as a member of the CAB after working in the transport systems of his native Florida. In 1967, then President Lyndon Johnson selected him to serve as the country's first Secretary of Transport.

For the past four years, the 59-year-old Democrat has been waging an uphill fight to save Amtrak from devastation at the hands of President Reagan's budget cutters.

One of his allies in the fight to keep Amtrak afloat has been Congressman James Florio, who says of the "extremely competent" Boyd's move: "It is our loss and your gain."

Good at heart

The Organisation for Economic Co-operation and Development too, it seems, is a jollier body than the invariably gloomy reports it issues would suggest. Here are just a couple of the stories which, I am told, had them rolling in the aisles at the recent OECD meeting in Paris:

President Brezhnev, recounted one speaker, was watching a military parade in Red Square. As the last rockets and tanks rolled by, he noticed to his surprise, a troop of dismal little men in grey suits and carrying black briefcases tagging along behind.

"Who are these civilians?" he demanded. "Surely they can't be adding to our destructive potential."

"Oh yes they can, Mr President," an aide replied. "They're supply side economists smuggled over from the United States. We're told there is no limit to the damage they can do."

Next on the stage, a central banker related the tale of a man who needed an urgent heart transplant. He was given three choices: the heart of an athlete, of a young girl, or of a 78-year-old central banker. "Which did he take?—the last one of course, because it was bound to be absolutely unused."

Each-way bet

The investment and banking services concern Dunbar Group is laying claim to be the bank with the extra special clients.

Dunbar now wants to move from the Unlisted Securities Market to a full London Stock Exchange listing. Its reputation has been helped by the publicity given to its connections with 007. The James Bond star Sean Connery holds a 7.9 per cent interest in Dunbar through Vanivest NV.

Now the bank also has a new and topical claim to fame. Another of its shareholders, sports agent Mark McCormack (who was responsible for introducing to the bank sporting people Bjorn Borg and Virginia Wade) has arranged for a Papal visit account to be opened at Dunbar.

The Pope's visit to Britain is expected to raise big sums for the Catholic Church through McCormack's International Financial Management marketing business. The banking services for that exercise will be provided by Midland and Dunbar.

Dunbar was first quoted on the USM two years ago. Since then the acquisition of Tower Fund Managers and the subsequent sale of shares by some long-term shareholders has meant that the company is now no longer too closely held to be considered for a Stock Exchange listing—although the Dunbar and Tower directors still retain a controlling interest.

With the Pope and 007 as clients Dunbar seems likely to offer stock market punters a chance to make an each-way bet on this uncertain world.

Notes taken

Egypt's economic minister Dr Fuad Hashem has decreed that no more E£100 notes are to be printed. The reason? As Egypt's largest denomination notes in circulation, they are also the most convenient for smuggling out of the country into Saudi Arabia.

There a U.S. dollar can be bought for E£0.96 compared with the Cairo street rate of E£1.08. And as a result, there is a premium on the E£100 notes in Cairo where they sell for between E£102-103.

So much for the textbook principles of currency convertibility. But though Hashem's order may be bad news for Egypt's unofficial exporters, it may boost British exports of the paper from which the banknotes are made. A lot more paper will now be needed to replace the century notes with the E£20 notes that are the next highest denomination.

Capped

Heard from an American in a Kensington hotel bar: "Myrna knows nothing about cricket—she thinks a fast bowler is some kind of hat the players wear."

Observer

IRAN-IRAQ WAR

Now the real battle begins

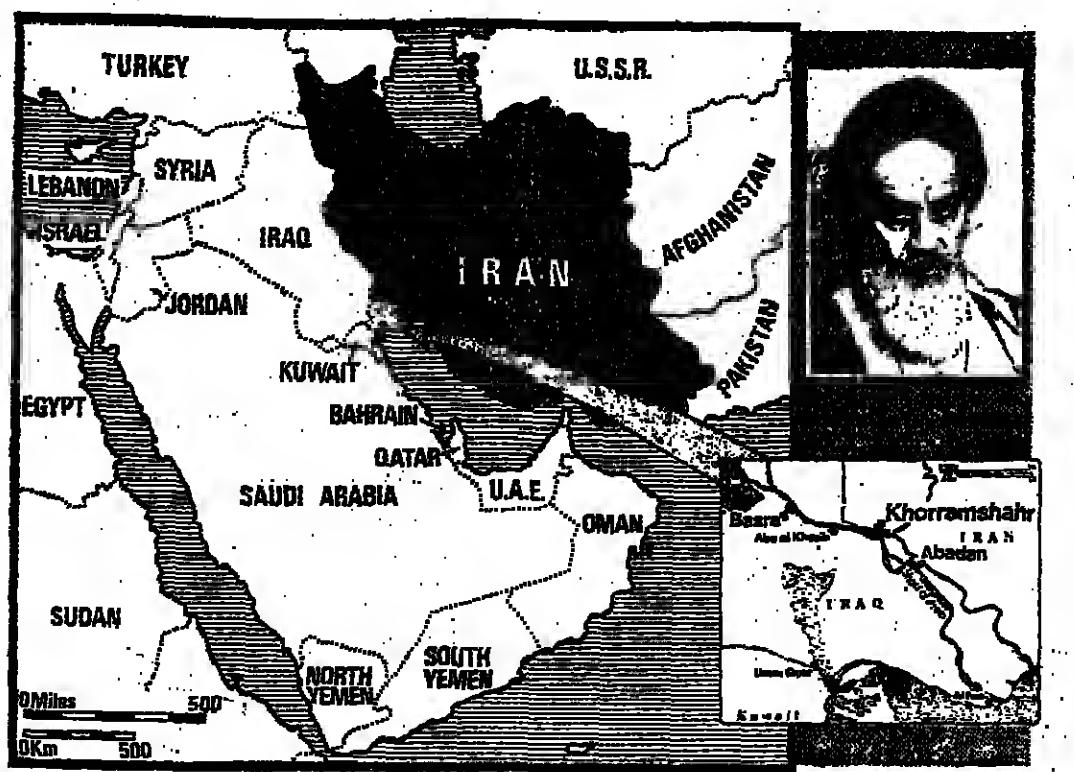
By Roger Matthews, Middle East Editor

THE VICTORY of Iranian forces in Khorramshahr on Monday may signal the end of stage one of the Gulf war. It also marks the beginning of the real battle for political dominance in this vital oil-producing region of the world.

The speed with which morale appears to have collapsed within the Iraqi army bodes ill for the future of President Saddam Hussein. Khorramshahr was the only major town taken by Iraq during 20 months of fighting and it represented the only bargaining card for Baghdad in any peace negotiations with Tehran.

Ayatollah Khomeini, Iran's religious leader, is now in a position to dictate his peace terms or, if they are not accepted, to increase the pressure on Iraq by occupying areas of its territory.

This prospect is causing near panic among the conservative Arab oil producers of the Gulf, which fear, above all, the emergence of a powerful militant Moslem bloc in the region. Senior Arab diplomats said yesterday that it would be difficult to overestimate the impact the Iranian victory was having on their governments.



Countries such as Saudi Arabia, Kuwait, United Arab Emirates, Bahrain and Qatar feel acutely vulnerable. They have pumped at least $22bn into Iraq since the war started in an effort to blunt the militant edge of the Iranian revolution and have now discovered that cash—their only significant weapon—is not enough.

There is no prospect of a united Arab response to "Persian" expansionism. Four hardline Arab states together with the Palestine Liberation Organisation reaffirmed their support for the "friendly Iranian revolution" on Monday night and said they would oppose any wider Arab involvement in the Gulf war.

Syria, Algeria, Libya, South Yemen and the PLO said after ministerial talks in Algiers that they regarded the war as over and urged closer links with Tehran. At the same time Col Gaddafy of Libya has intensified his attacks on the Saudi royal family. In a speech at the end of last week he even suggested that it might be necessary to launch a holy war in order to free the holy places at Mecca and Medina from their control.

These hardline states are also committed to oppose any attempts by more moderate regimes to bring Egypt back into the Arab fold. Egypt recently increased its military sales to Iraq and was urged by President Saddam Hussein earlier this week to send troops to Baghdad.

Undoubtedly the Arab radicals believe that if Egypt remains isolated it will be far easier to exert pressure on Saudi Arabia and the other conservative Gulf regimes and to push the Arab League towards the adoption of more militant policies.

Ayatollah Khomeini is certain to demand the removal of Iraq's President Saddam Hussein as part of any peace settlement and he would be supported in this by Syria in particular. The Syrians are locked in a bitter ideological dispute with Iraq and, while providing material support for Iran, they have tried to cripple Iraq economically by shutting its oil export pipeline to the Mediterranean.

It may not prove easy to remove President Hussein and even more difficult to eject the leading elements of the Ba'ath Party which dominate Iraq politically. The Ba'ath Party fought long and bloodily to take control of the country and have ruthlessly maintained their grip on power.

Even though part of the Iraqi public may concede that the President blundered mightily by invading Iran in September 1980 and has cost the country dearly in both human and economic terms, there is no political machinery through which that frustration can be expressed.

The traditional method of removing the President would be through a coup within the party or through a military takeover. However, neither option would be likely to satisfy Tehran which ideally would like to see the emergence of a clerical regime dominated by the co-religionists from the Shia branch of Islam who form about 50 per cent of the Iraqi population.

It is this heady dream of Iran and Iraq forming a single political bloc which so inspires the clerics in Tehran and terrifies the states on the other side of the Gulf. Between them they would have a population of close to 55m, possible oil production of over 8m barrels a day, effective control over the vital Strait of Hormuz through which about 40 per cent of the industrialised world's oil passes and a large battle-hardened army which could overwhelm all other forces in the region.

The temptation to export Iran's fundamentalist revolution more vigorously would probably prove irresistible. An attempt to overthrow the government in Bahrain at the end of last year is widely thought in the Arab world to have been inspired by Iran and members of other Gulf governments privately admit they expect similar such attempts in their countries.

Ayatollah Khomeini has said repeatedly that other governments have nothing to fear from Iran unless they are corrupt. His definition of a corrupt regime is likely to encompass most of those currently in power in the Middle East.

The other main Iranian condition for peace with Iraq is the payment of war reparations and it is in this area that the Saudis and their friends may literally seek to buy time for President Saddam Hussein. Prince Saud al-Feisal, the Saudi Foreign Minister, flew to Syria on Monday for talks soon after the fall of Khorramshahr was announced and it is probable that he discussed the likely Iranian terms for a settlement.

Arab diplomats said yesterday that it was conceivable that Saudi Arabia, Kuwait and the other oil producers in the Gulf would offer perhaps $10-$15bn to Iran in return for a peace treaty with Iraq. This, however, would fall well short of the $50bn which members of the Iranian regime have mentioned in talks with organisations attempting to mediate in the war.

There is also no guarantee that Iran would stick to its side of the bargain. "Having already given Saddam so much money over the past 18 months it hurts, but is no real problem, for us to provide more if that stops the war," an Arab diplomat commented. "But what guarantee do we have. How do we know with whom we are dealing? To be frank it is very difficult to know who is really in charge in Iran."

There are parallel suspicions that Khomeini has no interest in halting the forward march of his troops and revolutionary guards. The war has strengthened the grip of the regime and reduced overt internal dissent. The return of victorious troops to Tehran and the subsequent concentration on domestic affairs is scarcely an appealing prospect for the Government.

Iran's behaviour at last week's meeting of the Organisation of Petroleum Exporting Countries in Ecuador also suggests that its victories in the Gulf war have prompted an even less compromising attitude. Not only did Iran refuse to accept any Opec limits on production levels but its officials launched bitter personal attacks on other Ministers and most especially on Sheikh Ahmed Zaki Yamani of Saudi Arabia.

The implications of Iran's apparent victory in the Gulf war are likely however to prove far more profound than short term considerations over oil-supply and pricing. It is the victory of a people and an ideal over a more pragmatic, better prepared and better armed regime. The motivation which prompts men to ride bicycles into minefields shouting "God is Great" and to go joyfully to their death is not something which can either be purchased or easily halted.

Since the stirring days of Egypt's President Nasser in the late 1950s and 1960s when the potent force of Arab nationalism was born there has not been a single force which spread across the national boundaries of the Middle East and provided a single unifying force.

But in the past 12 months it has been Moslem fundamentalism which ended the life of President Anwar Sadat and came close to dealing a more severe blow to the established political order in Egypt. It has been the rallying point for the opposition to President Hafez al-Assad of Syria during recent bloody fighting. And its slogans have been increasingly heard during the Palestinian demonstrations against continued Israeli occupation of the West Bank and Gaza.

The excesses of the Khomeini regime which have appalled so many people in the West have, within the Middle East, to be set against the excesses which characterise some of the secular regimes. The distortions caused to Arab society by the contrasts between sudden new wealth and persistent grinding poverty have been exacerbated by the failure of Arab leaderships to deliver what they promised their own people.

It is these frustrations which the Iranian regime wishes to exploit in pursuit of its wider goal: the unity of the Persian and Arab nations through the coming together of the Shia and Sunni branches of Islam.

Victory in the Gulf war has for the Iranians demonstrated the power of the Shia sect. The replacement of President Saddam's non-secular regime in Baghdad by a government of clerics drawn from both Sunnis and Shias would provide the model for the rest of the Middle East.

Attention may well be concentrated for some weeks on the military balance between Iraq and Iran, but Tehran's victory at Khorramshahr may well have set the stage for the wider battle yet to come.

Lombard

Dissent on the Falklands

By Samuel Brittan

EVENTS SINCE my Lombard article of May 6 entitled "Stop the killing straightaway" have only reinforced the message of the title.

In the earlier article I dealt with the argument that the present slaughter is necessary to fulfil obligations to the Falklanders. No group of 1,800 British subjects can demand that degree of sacrifice.

How then about the arguments of international principle, that "aggression must not be allowed to pay," that "countries" should not take the law into their own hands, and so on? If there were an international order based on these principles then there might be a case for Britain playing its part with other countries in an international police operation.

Unfortunately there is no such international order. The principle of not acquiring territory by force was not even recognised before the 20th century. (Much of the British Empire was acquired by raids similar to General Galtieri's.)

Even in recent years the principle has applied in practice mainly in East-West relations in the European and Nato areas, where the risks and costs of nuclear escalation are so obviously high. Elsewhere it is struggling for a toehold.

Even if such an international order existed it would not be worth paying an unlimited price to uphold it. The scale of the human loss in relation to the interests at stake would always be relevant. The killing and maiming of a genuine police keeping operation could only be justified as a lesser evil to avert more suffering in the future.

But to see the operation as primarily policing in defence of the UN charter is to concede too much. Such a view presupposes that the British action is an altruistic one for the sake of the world. If this is so, why are Britain's allies—let alone the rest of the UN—not merely keeping out of the fighting but having to be so heavily persuaded into very moderate economic sanctions which deliberately refrain from applying the financial tourniquet to the Galtieri regime?

If it really were a UN peace keeping action why did the British government have to be persuaded by a relatively junior diplomat to take the issue to the Security Council? Why the present reluctance to see the sovereignty issue decided by the UN General Assembly?

These queries about the nature of the operation severely weaken any exemplary effects success could have in promoting international order. If after the failure of the international community to act in Goa, Afghanistan or Vietnam-Cambodia the British retake the Falklands, will the lesson be that "aggression does not pay after all" or that "even middle-sized countries such as Britain and the Argentine have armed forces to be reckoned with."?

The impression given by the Foreign Office to the Argentine over many years that the Falklands were not a vital British interest — and the genuine astonishment in Buenos Aires at the London reaction—further weaken the case for warlike retaliation. If Mrs Thatcher had been in personal charge of the Foreign Office for the last ten years, General Galtieri would almost certainly not have dared to invade. But it is no consolation to widows and orphans to know that they are paying for the Foreign Office's mistakes.

There are those who say "even if you are right does not the logic of events compel the British Government to finish the job?" There is no such thing as the "logic of events" which deprives human beings of their power to decide. Any ceasefire proposal would be more acceptable than further loss of life on a scale out of all proportion to the original cause.

No, I do not think that merely living to the age of 120 is the highest human goal. But whereas it may be admirable for an individual to stake his own life for higher goals—or merely for fun or sport or the joys of risk taking—it is far from admirable for politicians and voters "now a'bed," to indulge in these feelings at the expense of younger people.

Letters to the Editor

The Falklands: time to look beyond animosity

From Mr R. Woodbine Parish

Sir,—It is time to be looking beyond the animosity engendered by war, and to resume the traditional ties of friendship that have existed over the years between Britain and the Argentine. To this end, Her Majesty's Government should promote a programme of economic assistance and revival for the Argentine. This should encompass the joint development of the Falkland Islands, which can have little hope of a viable future without Argentine co-operation. It would also be of great benefit to our own country to secure a stable trading partner in a nation endowed with great natural resources.

The Argentine is a land of lost people looking for leadership; if a radical programme of economic reform, such as recently put forward by Sr Alemann, and pursued with the first glimmer of success by our own government, were given the active encouragement of the West, the patriotic fervour of her people might be channelled into a resurgence of productive vigour, and remove the incentive to embark on vainglorious adventures of absurd proportions.

Let us not delude ourselves by deriding the junta, nor succumb to an era of hostility. Instead, let us offer the proven strength of our leadership to resuscitate and revive an area splendid for its resources, but pathetic for their squandering. Let us have a vision for the Falkland Islands, not as a beleaguered garrison, but as a strategic centre for the dynamic development of the Southern Atlantic.

Thank goodness the sceptics have thus far been disproved on the military front: how much more efficacious for everyone if an economic success can be raised from the desolation of the Argentine economy.

Robin Woodbine Parish.
41, Cheval Place, SW7.

From Mr D. Harries.

Sir,—Despite the welter of information that the media have churned out recently regarding the Falklands, it would appear that some of your readers (which is surprising) are still ill-informed.

I refer in this instance to Mr P. F. Newman who (May 19) assumed that "the islanders' desire to remain British may be influenced by many years of British aid funds." What an insult!

Some months ago on BBC TV (pre-Panorama) Lord Shackelton made the following point: "These people are British, who want to go on being British, and whom, frankly, the British have been exploiting. I don't think even now the Government accepts that over the years the Chancellor of the Exchequer has been making twice as much out of the taxes paid on profits repatriated from the Falkland Islands as we have been giving in the way of aid."

Only in recent years has there been any aid and most of it was spent building the airport at Port Stanley, which at the time Falkland islanders said was built for the benefit of the Argentine.

We Falkland islanders are interested in the views currently being expressed, but please get the facts right.

D. J. Harries.
10 Albert Road, Caversham, Reading, Berks.

From Mr P. Tray

Sir,—What masterly illogic Mr Paul Burns (May 21) displays. True — the Falkland Islands were lost by culpable negligence. But to suggest that the only objective in recapturing them is to acquire "the right to decide when and how we will give them back" begs the whole question of whether they should ever become part of Argentina.

Unlike your editorial on the same day, I congratulate the Prime Minister for withdrawing all previous offers that had been on the table. While Argentina had not shifted its stance on sovereignty one iota, all concessions had come from the UK side. If one party to negotiations knows that any and all offers from the other party will remain on the table indefinitely, that party has every incentive to procrastinate, which is exactly what Argentina has done.

No doubt Mr Burns, in his generation's "duty to survive" would label Manchuria 1931, Abyssinia 1935, re-occupation of the Rhineland 1936 and Czechoslovakia 1938 as "trivia," naturally totally unconnected with a "real problem" such as World War II.

Peter H. Tray.
Richard, Archie and Co,
Victoria House,
Southampton Row, WC1

A way forward for Europe

From Mr C. Jackson, MEP

Sir,—At present the "cost" or "profit" of Community membership for each country is a simple subtraction sum: the revenues (the effects of Community policies) less the charges (roughly 1 per cent VAT plus Customs duties). This means that whenever the Commission proposes a new policy each member state works out whether it will finish up in or out of pocket, and this frequently influences its attitude far more than the merit of the proposal to the Community as a whole. The result is that the pace of progress is painfully slow, with Byzantine bargains abounding.

To reform this tortuous process we must break the link between the policy and its immediate cash bonus or cost effect on individual states. The European Parliament has suggested a sort of Community tax system such that the overall cost of membership would be roughly proportional to gross domestic product per head. Such a system would not only solve Britain's budget problem permanently, but would avoid similar problems for others in the future, and greatly ease Community decision taking. It would not be acclaimed by states who benefit most under the current system, but this is surely the "communautaire" direction in which we should firmly steer the debate.

Christopher Jackson.
Medlars, Oak Hill Road, Sevenoaks, Kent.

Accounting for inflation

From Professor H. Edey

Sir,—Sir Anthony Burney (May 22) advocates cash flow accounting as a better method than current cost accounting. The case for cash flow accounting in the sense of management planning and control based on short and longer-run cash projections, and the monitoring of these by comparison with actuals, seems overwhelming. This was recognised by the late Sir Ronald Edwards at the London School of Economics as long ago as 1938, as his writings at that time show.

In my view the intellectual and practical justification of current cost accounting is based on a recognition of this, coupled with the belief that for a number of reasons the abandonment of accrual accounting for reporting to shareholders, creditors and others is precluded, even though cash flow accounting is conceptually simpler.

Current cost accounting is far from perfect, but has certainly found favour with some managements. Its use seems more consistent with belief in the importance of cash flow projections and controls than the use of historical cost accounts. A company that plans and controls on the basis of cash flows, but reports costs and profits in historical cost terms, is like a ship that navigates by radar and reports its voyage to its owners by a plot on a fifteenth century chart.

(Professor) Harold Edey,
The London School of Economics and Political Science,
Houghton Street, WC2

Competitive bids

From Mr P. Hart

Sir,—Mr E. H. Ring (May 11) suggests that the Royal Institute of British Architects and the Royal Institution of Chartered Surveyors are wedded to the theory of competitive tendering and that this produces poor quality building.

I cannot speak for the architects but I know that the quality of building stems very much more from quality of specification and quality of supervision of construction work than from the method of tendering. In any event chartered quantity surveyors have long recognised the need for careful consideration of all the circumstances before the method of contractor selection is chosen. Indeed the RICS publication "Placing orders for major construction works" outlines the many options available and I am sure Mr Ring will be glad to know that these include such things as "negotiation," "cost reimbursement," "design and build" as well as the various forms of competitive tendering.

P. D. Hart.
G. D. Walford & Partners,
7-9 St James's Street, SW1.

Security service abroad

From Professor P. Campbell.

Sir,—Mrs Thatcher's statement (reported May 21) that known homosexuals are no longer a security risk and should be allowed into Britain's security service is warmly welcomed by the Conservative Group for Homosexual Equality.

We would, however, challenge the case for continuing to bar homosexuals from foreign posts in the security services. It is true that homosexual acts are still criminal offences in some states to which people in the diplomatic service could be posted, but that fact is no more an adequate reason for barring homosexuals from all security service abroad than the fact that women could hardly be sent to diplomatic posts in certain countries is a reason for excluding them from all service abroad.

(Professor) Peter Campbell,
6 Treyornon Court,
37, Eastern Avenue, Reading

Bread discount war hitting RHM

WITH PRE-TAX profits of Ranks Hovis McDougall, the food manufacturing, processing and marketing group, having fallen back from £21.66m to £21.04m for the six months to March 6 1982, shareholders are warned that profits for the full year will be well below the figure of £45.28m made in the previous 53 weeks.

Explaining this, Mr P. W. J. Reynolds, the chairman, says the group's British Bakeries offshoot is caught up in an unsupportable price and discount war which he says has done great harm to the profits of bakers and, to a varying but serious extent, to retailers. In this situation, British Bakeries is inevitably incurring substantial losses in maintaining its business.

The outcome of the situation in the bread market is not yet predictable, Mr Reynolds states. But in response to the position, urgent and far reaching plans have been put into operation to improve the long-term profitability of the bread baking business.

In other main sectors of its business, such as overseas, grocery products, packaged cakes and milling, very satisfactory profits have been recorded and the group is investing in these areas for further growth.

Grocery and packaged cake operations benefited from further extensions of their product ranges, while profits from overseas interests were significantly higher than for the same period last year.

As a result of the actions being taken, the chairman is confident that the group has the ability to improve profits significantly in the medium and longer terms.

The interim dividend is being maintained at 1.524p net per 25p share—the previous year's payments totalled 3.857p.

External sales for the half year moved up from £783m to £833m.

At the trading level, profits showed a reduction from £39.23m to £37.49m, before charging rationalisation costs of £996,000 (£765,000), depreciation of £11.35m (£10.94m) and interest of £8.29m (£8.08m).

Pre-tax figures included higher investment income of £1.61m (£16,000) and associates' contributions of £2.58m (£2.19m). Profits attributable to ordinary holders dropped from £14.25m to £13.66m, after tax of £5.7m (£6.5m), minority credits of £107,000 (£8,000 debits), extraordinary debits of £1.65m (£755,000) and preference dividends.

Stated earnings per 25p share for the period were unchanged at 5.5p.

To increase profitability and reduce manufacturing costs at British Bakeries, which has a very large share of the UK bread market, seven bread bakeries have been closed and their production concentrated into more efficient bakeries within the British Bakeries chain.

At the same time, the company has announced that its Glasgow bakery is to be replaced in the next 18 months at a cost of £11.5m, partly funded by a special grant from the Scottish Economic Planning Office; site clearance is well advanced and building is scheduled to start in July.

The flour milling business, Rank Hovis, has greatly benefited from its continuing programme of concentration of production. This involved the recent closure of the flour mill at Belfast and further investment to modernise major flour mills.

The farm supply business, RHM Agriculture, is in the process of being restructured under a new management team to improve further its efficiency and profitability.

The group's successful grocery products business has been reorganised into two separate and smaller businesses to concentrate more management skill and effort into their further development. Important progress is anticipated from both businesses.

In the U.S. the group acquired in April Western Food Products, which has factories in Colorado and Kansas, and so extends its distribution area from the North-East States well into the West. A £5m investment programme is well advanced to enlarge the pasta factory at Buffalo.

The group's American companies are in three main and very important markets — apple juice and other apple products; pasta; and general products. Recent developments are part of its corporate plan for the U.S. of building carefully on established success in clearly-defined product markets. RHM's capital investment in the U.S. is now approaching £40m.

Regional responsibility for the group's profitable and expanding companies in the Far East and Australasia has been concentrated in Singapore to more closely monitor the development of its businesses in this region. Sales of its traditional products are being vigorously promoted.

See Lex

HIGHLIGHTS

After briefly reviewing the behaviour of the stock market which consolidated Monday's sharp gains the Lex column goes on to comment upon Grand Metropolitan's long-awaited rights issue which comes out on a one-for-seven basis, raising £125m to fund the group's recent large U.S. acquisitions. Ranks Hovis McDougall's latest offering is unchanged interim profits following on a sharp increase in the second half of last year. There has been good profits growth overseas in the latest six months but those, and gains in UK groceries and flour milling, have been wiped out by losses on bread. Finally the column tries to unravel the first published set of figures from Cater Allen, the discount house formed last year as a result of a merger of Cater Ryder and Allen Harvey.

Parkland Textile up sharply to £0.53m

TAXABLE profits at Parkland Textile (Holdings) were sharply higher at £526,000 for the year to February 26 1982, against £202,000. Turnover rose from £32.67m to £34.24m.

The final dividend of this close company, with interests in making yarns and clothing, is held at 2.1p, for a same-again total of 3.7p net per share. Earnings per 25p share were given as 5.5p, compared with 4.6p.

Tax took £121,000 (£144,000 credit) and minorities £6,000 (£16,000), for an attributable profit of £399,000 (£330,000). Extraordinary debits came to £66,000 (£163,000).

On a current cost basis there was a pre-tax loss of £1.4m (£1.18m loss).

Wolverhampton & Dudley ahead

AN INCREASE of 9.2 per cent from £4.41m to £4.82m in pre-tax profits is reported by The Wolverhampton and Dudley Breweries for the half-year to March 31 1982. Mr E. J. Thompson, the chairman, says the increase has been brought about by tight control of costs in the breweries and company's managed public houses.

He says the continued high unemployment in the West Midlands, combined with the severe weather of last winter, is reflected in sales volumes. Turnover, however, increased by 12.2 per cent from £34.04m to £38.19m.

The interim dividend is raised to 1.8p net (1.65p)—last year's total was 5.5p from pre-tax profits of £10.22m (£9.06m).

Tax for the period was up from £1.99m to £2.17m, and after extraordinary credits of £488,000 (£168,000), net profits increased from £2.6m to £3.14m. The extraordinary items were profits on the disposal of properties less tax.

The company's capital expenditure programme continues to be concentrated on its licensed estate. The chairman says five new houses are expected to be opened before Christmas, and these are situated mainly on the perimeter of its present trading area. It has also entered into an agreement with Ansells to lease two of that company's public houses in Leamington Spa.

Wolverhampton and Dudley launched Lion bitter in February, a keg beer for those free trade customers who lack the facilities necessary to keep traditional draught beers in peak condition. This is proving a useful addition, he says, to its product range and is going well.

● **comment**

A pure regional brewer such as Wolverhampton and Dudley commands a scarcity premium; the 4 per cent yield is 2½ points below that for the brewing sector. Wolves' volume has undoubtedly fallen but by far less than the industry's decline of 8 per cent in the same period. It has kept the business it picked up at the time of the Ansells' strike last year and with a pricing policy aimed at keeping volume up, has not increased its prices since last July. The company enjoys a 40 per cent market share in its economically depressed Black Country redoubt, but now has to look for expansion of its trading area, concentrating on Birmingham. It also wants to build up the 20 per cent of its sales to the free trade. Five new public houses, costing an average £500,000, are planned to open before Christmas, adding to the company's 700 public houses, but the end of the company's 10 year expansion of production facilities will mean a tailing off of tax relief as investment is switched to improving public houses.

Silvermines profits steady

The directors of Silvermines, the Dublin based mining group, expected first half operating profits to be broadly in line with the same period last year, but associated company contributions would show a reduction, Mr G. E. Russell, chairman, told shareholders at the annual meeting.

He said he was confident the results for the year as a whole would be satisfactory, particularly in view of the severe recession.

The buoyancy in revenues from the Magcobar royalty would be maintained throughout the current year, with negotiations for an increase in the royalty rate still proceeding. They expected a significant increase in the royalty contribution from the Kinsale Head gas field.

The new venture into cold storage, Irish Cold Stores, was estimated to break even this year and would move into profits in 1983.

Anglian Windows were experiencing a substantial increase in sales which were now running at over Ir£1.5m a week.

Silvermines' interim figures would reflect a reduction in Anglian's profitability but its management were confident that the growth in profits would be resumed in the second half.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Carroll Inds§ ....int	2.7	July 9	2.25	—	6.25
Cater Allen Hldgs	19.51	July 1	18.18	23.8	23.1
Kelsey Inds ....int	2.5	—	2.5	—	8
Leeds Group ....int	1.5	July 1	1	—	3.5
P. Panto	0.3	—	nil	0.3	nil
Parkland Textile (Hldg)	2.1	July 9	2.1	3.7	3.7
Ranks Hovis McDgall Int	1.52	July 16	1.52	—	3.86
Stakis ....int	0.5	Sept 9	0.45	—	1.6
W'hampton & Dudley int	1.8	June 30	1.65	—	5.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § Irish pence throughout.

Cater Allen Holdings at £2.07m

DISCLOSED NET profits of Cater Allen Holdings, the group formed by the merger last November of Cater Ryder, the discount house, and Allen Harvey and Ross, were £2.07m for the year ended April 30, 1982.

No comparative figures are given for 1981. However, disclosed earnings from the old Cater Ryder concern for the 12 months to end April, 1982 amounted to £1.2m.

Earnings for the merged group to end April included Cater Ryder for the full year and the old Allen Harvey company from the merger date.

From its former balance sheet date of February 5, 1981 to the date of the merger Allen Harvey incurred a trading loss. This loss, together with its interim dividend payment of £330,000, were netted off against accumulated, disclosed earnings of £1.03m to produce an additional credit of £202,000 in the latest accounts.

The consolidated profits of Cater Allen Holdings were struck after providing for rebate, tax and a transfer to contingency reserves.

See Lex

Phoenix Assurance has very poor first quarter

Phoenix Assurance, like the other UK composite insurance groups, experienced a very poor first quarter result, largely from the severe winter weather.

The company recorded a pre-tax profit of £100,000, against £6m in the first quarter of last year. The other companies which have reported, have turned in pre-tax losses for the period.

Underwriting losses more than doubled from £7.9m to £16.8m, with UK losses rising from £1.7m to £9.9m accounting for most of this increase. Investment income rose by over 20 per cent (16 per cent ignoring currency fluctuations) from £13.3m to £16.1m. Slightly higher life profits enabled Phoenix to break even on the quarter.

Although the company had a nil tax charge, higher minority interests resulted in a net loss of £600,000 against a net profit of £3m last year.

The unusually severe winter weather in the UK cost the company some £8m more than normal in adverse weather claims since the New Year, with the winter since December costing the company over £9m.

The domestic householder, commercial property and commercial motor accounts were affected by the severe weather, but the private motor account appears to have been only marginally affected.

Nevertheless, the motor account is running an underwriting loss of just under £1m in the period. The two rate increases made so far this year are too small and too late to affect the first-quarter results. Phoenix lifted its rates by 3 per cent on February 1, and its subsidiary Bradford Pennine by 7½ per cent on May 1.

The underwriting loss in the U.S. was £2.9m against £1.5m, with the operating ratio worsening from 107 per cent to 110.7 per cent—in line with the 110.5 per cent for 1981 as a whole.

The results in Canada were affected by the weather and underwriting losses in Europe rose against the corresponding period last year. But there were significant improvements in most other countries.

General premium income rose 14.7 per cent from £102.7m to £117.8m. There was strong growth in life and pensions business, with annual premiums rising by one-third from £5.2m to £7m and single premiums by 30 per cent from £6.5m to £8.5m.

● **comment**

The market was expecting poor first quarter results from Phoenix in line with the dismal figures from the other U.S.-orientated composites. The impact of the severe weather last winter was even worse than expected and the company just managed to clear itself at the pre-tax profit stage. But the impact of the weather on profitability only highlights the total inadequacy of general insurance premium rates on a worldwide basis, a feature admitted by Phoenix's chairman. Although the rest of the year is not likely to be overshadowed by dramatic weather conditions, the company is going to feel the effect of inadequate rates worldwide for some time and cannot expect to match last year's £30m pre-tax. The market, however, reacted favourably with the share price rising 10p to 238p, yielding 10 per cent.

ISSUE NEWS

USM quote sought by brewer Ruddle

G. Ruddle, the Rutland brewer, is seeking a quotation for its shares on the USM and raising £1.2m by way of a placing of 0.86m ordinary shares at 140p per share. Ruddle's is issuing 0.5m new shares to raise new capital for the company, while the remaining shares are being made available by existing shareholders. Approximately 18 per cent of the enlarged ordinary share capital is being placed.

Ruddle's operates from a single site at Langham in Rutland where it has been brewing since 1858. Having disposed of 38 of its 39 public houses in 1978, it now sells its products to the take-home trade and the on-trade. Profits before tax have increased from £64,000 for the 15 months to March 1978 to £533,000 for the year to March 1982.

L. Messel & Co. are brokers to the placing.

● **comment**

Having planned to make its USM debut back in February, Ruddle's was given rather a nasty jolt by its trading figures for January, and decided to pull the issue. Although February was also rather grim, thanks to a combination of post-Christmas destocking, dreadful weather, and a hiatus in ordering while customers adjusted to the implications of date-stamped beer, trading then returned to a more normal pattern, and profits for the full year finished 16 per cent ahead. Volume was static in 1981-82, actually a fairly good performance given the industry decline; if profits are to keep moving, however, Ruddle's will have to generate extra volume. A new range of half-litre bottles, a recently launched telephone ordering system, and an enlarged sales force show that this priority is well understood. Ruddle's disposal of its tied estate made excellent sense at a time when the company was overgeared and the pubs were producing minimal returns. If its lack of a guaranteed outlet does, nevertheless, leave the company more exposed to the caprices of the off-trade than some comparably priced regional brewers—at 140p the indicated yield is a mere 3.4 per cent — Ruddle's recent record goes a long way to justify the premium rating at which the shares are finally being launched.

Norgas seeks £11m private placing

NORGAS, Norway's leading producer and distributor of commercial and medical gases and welding equipment, is seeking to make a private placing of 800,000 shares with City institutions this week.

With the shares currently trading at NKr 147.5 this would raise about NKr 118m (£11m), which the company aims to use for further capital investment in Unitor, the 54 per cent-owned ship services company, and expansion generally.

The placing, handled by Bank of America International, is seen in London as a prelude to the group seeking a London Stock Exchange listing. However, no firm plans have been announced by the company, whose shares have been traded in London for several years.

The placing, which will represent about 13 per cent of the enlarged capital of Norway's second largest industrial company, has been made possible by the relaxation of Norwegian government restrictions on the permitted foreign interest in the group. The ceiling has been lifted from 20 per cent to 30 per cent.

The group's sales and profits have risen at annual average rates of 23 per cent and 33 per cent respectively since 1977. For 1981, sales were NKr 1.63bn (£128m) and profits NKr 125.9m (£11.8m).

As with other Norwegian companies, equity — NKr 198m before the placing — is kept at about 30 per cent of net assets. However, analysis of the balance sheet, because of conservative accounting, does not reveal the enormous hidden assets.

Last year the group entered the pharmaceutical industry by merging with Nyegaard and Co AS. It also has a 10 per cent participation in NOCO, a limited partnership with interests in the Tor, Valhall and Hod field in the Norwegian sector of the North Sea.

YEARLINGS

The interest rate for this week's issue of local authority bonds is 13¼ per cent, unchanged from last week and compares with 13 per cent a year ago. The bonds are issued at par and are redeemable on June 1 1983.

A full list of issues will be published in tomorrow's edition.

SPAIN

May 25	Price %	+ or −
Banco Bilbao	341	−2
Banco Central	328	−2
Banco Exterior	280	−12
Banco Hispano	312	−2
Banco Ind. Cat.	114	—
B. Santander	323	−1
Banco Urquijo	194	−3
Banco Vizcaya	352	−3
Banco Zaragoza	246	−2
Dragados	140	—
Espanola Zinc	69	—
Fecsa	64.2	+0.5
Gal. Preciados	34	+2
Hidrola	63.7	−0.8
Iberduero	51.5	−0.5
Petroleos	86	−1.2
Petroliber	90	—
Sogefsa	7.0	+1
Telefonica	69	—
Union Elect.	65	−0.2

Full listing for Dunbar

Dunbar Group, the banking and investment services concern, is seeking to become the second company to progress from the Unlisted Securities Market to a full Stock Exchange listing. The first company to do this was Markheath Securities last month.

Dunbar joined the USM in December 1980 by way of a placing of 100,000 shares, representing 10 per cent of equity. In June 1981 it acquired Tower Fund Managers, the private investment management company headed by former Slater Walker man Mr Brian Banks. This deal, worth £1.25m, involved the issue of 300,000 new Dunbar shares giving Tower's shareholders 23 per cent of the enlarged capital.

Since then a number of long-term shareholders have sold shares, and, though the control of the group remains with the directors of Dunbar and Tower, about 40 per cent of the company has now become more freely available for trading.

Thus the group is able to make a somewhat unheralded move to full listing. Dealings are expected to begin on June 1.

Including a six-month contribution from Tower, the group pushed pre-tax profits ahead from £563,557 to £854,883 for 1981 and paid an increased net dividend of 7.5p against 6.2p.

No new forecasts for the current year are being given but in his annual statement last January chairman Michael Allsop confidently predicted continued growth.

At the end of 1981 deposits and current accounts were 53 per cent higher at £18.5m and loans were up 37 per cent to £10m.

The group manages investments totalling £60m of which £50m is for 500 individual clients, including top sports stars introduced by sports agent and shareholders Mark McCormack.

HAMMERSON

The £70.5m rights issue by Hammerson Property and Investment Trust has closed with acceptances for 99 per cent of the ordinary shares and 98 per cent of the "A" shares. The balance has been sold in the market.

Stakis pushes ahead midway

PROFIT BEFORE tax at Stakis moved up to £1.8m for the 27 weeks to April 4 1982, compared with £1.64m for the corresponding 26 weeks a year earlier. Turnover was higher at £43.36m, against £36.78m.

The profit was struck after deductions from the £2.75m (£2.35m) trading profit of £878,000 (£642,000) for interest and asset leasing and £75,000 (£68,000) for the employee share scheme.

The interim dividend is raised from 0.45p to 0.5p net per share. Last year's total of 1.6p was paid out of a pre-tax profit of £4.66m. Stated earnings per 10p share were up from 2.27p to 2.49p.

Tax took more at £432,000 (£393,000), and there was an extraordinary credit of £525,000 (nil).

To facilitate comparison, figures for the half year to March 29 1981, have been adjusted to reflect a change in accounting policy made in the accounts for the year to September 27 1981, regarding the capitalisation of interest on major projects.

The directors say the increased charge for interest and asset leasing is mainly attributable to provisions for possible losses in asset leasing which are subject to the outcome of litigations procedures.

The group—formerly Reo Stakis Organisation—operates hotels, restaurants, casinos, off-licences, wholesale butcheries and discotheques, leases plant and equipment, and owns a golf course.

A breakdown of the trading profit shows contributions of £886,000 (£783,000) from hotels and inns, £1.51m (£1.25m) from casinos and £361,000 (£314,000) from wholesale wines and spirits and off-licences.

● comment

All three divisions chipped in to help Stakis achieve a 10 per cent rise in pre-tax profits, but none more so than the casinos. With opening costs behind them, the new ex-Ladbrokes casinos must take most of the credit. In the wake of that £4.4m acquisition, gearing rose to about 65 per cent, and this has not changed significantly. The company wants some of the action in London but the Rembrandt application was turned down a couple of weeks ago; next month Stakis is having another bite at the cherry with an application to open at the Hotel Imperial. Profits from hotels were aided by an increase of about 10 per cent in occupancy rates, though the newly reopened Glasgow Grosvenor is unlikely to contribute net of costs this year. The wines and spirits division has benefited from the opening of new outlets, but post Budget stock profits are not going to be as significant as last year. The share price, which is thought to include some bid speculation, rose 1p to 65p, yielding 4 per cent. Pre-tax profits of about £5.2m are on the cards, putting the shares on a rather demanding multiple of 14.2.

Kelsey Industries shows increase to £585,000

AN INCREASE of £201,000 to pre-tax profits of £585,000 was shown by solder manufacturer Kelsey Industries for the six months to March 31 1982. Turnover was little changed at £10.35m, against £10.65m.

The directors say present indications are that the group's pre-tax profits for the full year will be similar to last year, which should enable the dividend to be maintained.

Regrettably, they say, they see small sign of any worthwhile recovery in the immediate future.

The interim dividend has been held at 2.5p net. In the last full year a total of 8p was paid from pre-tax profits of £1.4m on turnover of £22.13m.

Earnings per 25p share for the first half are given as rising from 3.9p to 7.2p.

The UK manufacturing side has done better, say the directors, but the recession in America has restricted sales there, which has affected the profit of the company was hoping for.

They add that the Australian company has been similarly affected.

Kelsey Roofing Industries was hard hit by the severe winter weather, leaving a high work-in-progress figure which should produce a profit in the second half. Overall, however, margins will be down and turnover will not be sufficient for last year's profit to be equalled.

Tax took £230,000 (£157,000). Attributable profits after preference payments of £77,000 (same) emerged higher at £278,000, against £150,000.

Leeds Group more than doubles midway surplus

More than doubled pre-tax profits were shown by Leeds Group, formerly Leeds & District Dyers & Finishers, for the six months to March 31, 1982, rising from £250,826 to £504,229. Turnover was virtually unchanged at £4.11m, against £4.15m.

The trading outlook for the industry remains most uncertain, says Mr A. Mortimer, chairman of this company engaged in commission processing of textiles and sale of yarn. While volume has improved in several areas, he says that little progress has been made in restoring profit margins.

As announced at the AGM, Mr Mortimer says that a gas drilling programme is being undertaken in West Virginia and he hopes the first wells may be in trial production by September. Further investment in the energy division is under consideration.

An increased net interim dividend has been declared of 1.5p against 1p last time. In the last full year a total of 3.5p was paid from pre-tax profits £711,050 on turnover of £7.4m.

Half year earnings per 25p share were given as rising from 4p to 6.4p.

Profits have been much improved, says Mr Mortimer, by eliminating some unprofitable sales to the knitting industry, and by a substantial reduction in overheads. Part of the improvement is also due to increased interest received on group liquid resources.

At the trading level the surplus improved from £392,690 to £662,969. Depreciation for the period rose from £141,864 to £158,740. Tax took more at £175,000 against £45,000 previously.

Net profits emerged higher at £329,229 (£205,826).

Vosper still optimistic

A SATISFACTORY outcome to the year ending October 31 1982 is expected by Vosper, the quoted shipbuilding subsidiary of David Brown. This is in spite of the handicap of the limited assets available to the company due to the continuing denial of adequate compensation for those interests nationalised, says Sir John Rix, the chairman.

The group as a whole started the new financial year with a reasonable order book but there are gaps that need filling, he tells members in his annual statement. However, with the much more buoyant level of inquiries, the board remains optimistic.

The company is heavily export-orientated and the board believes the group is particularly well suited to take advantage of overseas opportunities. Sir John points out that at the same time, it has to be recognised that there is still a world recession.

As reported May 21, the company achieved a sharp turnround from a £1.5m pre-tax loss to a profit of £1.96m for the year ended October 31 1981. Earnings per 25p share were 27p (21p loss) and the company is paying dividends for the year of 4p (nil).

Group fixed assets at the year end were £8.84m (£6.44m) and nationalised interests are given a net book value of £5.48m (£5.67m). Current assets amounted to £12.92m (£10.18m) and net assets employed in the group totalled £15.53m (£13.02m). Shareholders' funds rose from £11.21m to £13.74m.

Meeting, Dorchester Hotel, W, June 17, at noon.

MINING NEWS

Rising losses at Marinduque

BY KENNETH MARSTON, MINING EDITOR

LOSSES continue to pile up at the beleagured mining industry in the Philippines which must now rely on the recently finalised state aid scheme.

Marinduque Mining and Industrial, the major producer of nickel, copper and cement, has suffered an increased first quarter loss of US$62.2m (£34.4m). This compares with a loss of $16.4m a year ago and follows a biggest-ever total deficit of $105m for 1981.

Mr Jesus Cabarus, the Marinduque president, said that the latest quarterly loss reflected increased interest and financing costs of some $17.5m for the nickel project, low metal prices and a reduction in nickel shipments following the temporary closedown of the smelter for routine maintenance.

He confirmed that Marinduque is discussing with the Philippine Government a financing package designed to alleviate the company's critical cash flow problems and enable it to meet its interest payments and other obligations.

The deal would also provide additional funds to complete certain capital expenditure projects designed to reduce operating costs. These include the conversion of the nickel refinery from oil to coal firing.

The president said that although no assurance could be given that such a financing package would be obtained, the Philippine Government institutions involved had indicated their intention to support the company and work with it to arrange such financing.

Meanwhile, two smaller Philippine metal producers which have suspended operations have reported bigger losses for 1981, reports Leo Gonzaga from Manila.

They are Baguio Gold Mining and Western Minolco, both of which have copper mining and milling facilities in the Baguio district of Mountain Province, about five hours' drive north of Manila.

Baguio's net loss widened to 74.17m pesos (£4.9m) last year from 20.15m pesos in 1980, while Minolco lost 275.1m pesos against 45.7m pesos. Both companies blamed the deterioration in the financial performance on low metal prices and high operating costs.

To try to avoid further losses Baguio closed its copper mine and mill early this year. Similarly Minolco shut down its mine and mill late last year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Avon Rubber, John Carr (Doncaster), General Stockholders Investment Trust, Morland, Tate and Lyle.

Finals: Allied Irish Banks, Bremar Trust, Capital and Counties, Copydex, Dundonian, English and International Trust, Erskine House Investments, Jersey General Investment, Minster Assets, Moorside Investment Trust, H. Samuel, Witan Investment.

FUTURE DATES

Interim—

Heckson and Welch	June 3

Finals—

Billam (J.)	May 28
Bishop's Group	June 4
Brown (N.) Investments	June 7
Cocksedge	June 23
Electric and General Invest.	June 24
Energy Services & Electronics	June 1
London Investment Trust	July 21
M.K. Electric	June 14
Premier Consolidated Oilfields	June 3
Reed International	June 7
Rolls and Nolan Computer Services	June 10

CSR's anthracite mine on stream

THE CSR group's Yarrabee semi-anthracite coal mine in Queensland was officially opened yesterday. The initial production rate is relatively small at 300,000 tonnes of coal a year but the open-pit operation can be expanded if markets can be obtained.

Yarrabee's coal is the first Australian anthracitic coal to be sold on the export market and the operation could lead to the development of further deposits in nearby areas. It has a high combustion efficiency, a low percentage of pollutants, and is suitable for the cement, carbide, lime and steel industries.

CSR operates three coal mines in Queensland through its subsidiary Thiess Holdings, South Blackwater, Callide and now Yarrabee. In addition the group has two large coal deposits in Queensland at Theodore and Hail Creek for which major feasibility studies have been concluded.

Mr R. G. Jackson, the CSR general manager, said that the two big deposits would be developed when long term sales contracts had been obtained. "Intensive marketing efforts are continuing," he added.

Jackson Brunei rights

THE Dallas-based Jackson Exploration reports that its 75 per cent-owned Brunei subsidiary, Jasra Jackson Private, has acquired petroleum rights to approximately 40 per cent of the continental shelf of the State of Brunei.

It is pointed out that Brunei lies in the Northwest Borneo Basin in the vicinity of a large deltaic complex which contains reservoir quality sandstones and oil generating shales. Brunei's continental shelf is similar to other major oil-producing deltaic provinces such as South Louisiana and Nigeria.

The Jackson concession covers 700,000 acres and is located five to 90 km offshore in water depths of 60 to 600 feet. It is planned to carry out a detailed seismic programme later this year and to drill the first exploration well in 1984.

Substantial advance seen by Pritchard

This year the first quarter's results of Pritchard Services Group are in line with objectives and a further substantial advance is anticipated in 1982, says Mr Peter Pritchard, the chairman, in his annual review.

As reported May 7, pre-tax profits for the year to January 3 1982 jumped 73 per cent from £3.53m to a record £6.11m, while sales soared to £177.24m, against £85.74m.

The group has interests in building maintenance, industrial and camp catering, security services and linen hire. The chairman says that its resilience during a period of severe world-wide recession has been due largely to the size and diversity of the group in a number of growth areas.

At the year end, group shareholders' funds were up from £20.85m to £38.96m.

Meeting at the Dorcester Hotel, W, June 16 at noon.

Hardanger Properties on target

First half pre-tax profits of Hardanger Properties, which obtained a quotation on the USM last November, emerged at £177,769 and with current trading proceeding "satisfactorily" Mr Derek Coombs, the chairman, is confident that the prospectus forecast of £300,000 for the full year will be achieved.

Stated earnings per 10p share for the six months to March 31, 1982 came through at 3.89p on a net basis and at 3.35p fully diluted. The net interim dividend is 2.8p—a total of 9.8p has been forecast.

Turnover for the period totalled £1.45m. There was no tax charge and on the basis of the profit forecast a modest charge is anticipated for the second half.

Retained profits for the half year amounted to £134,369 after dividend payments of £43,400.

TKM selling its trade financing side for £19m

BY DUNCAN CAMPBELL-SMITH

The *Hongkong and* Shanghai Banking Corporation (HSBC) has reached agreement in principle to acquire the international trade financing business of Tozer Kemsley and Millbourn (Holdings), the finance and investment group.

HSBC will at first take an 80 per cent stake in the business, known as TKM International, which constitutes the largest trade confirming house in the world financing around £500m a year. The purchase consideration for this will be £19m.

For the year ended December 31 1981 TKM International made a pre-tax profit of £2.7m.

Over the next three years, the Tozer Kemsley group will have the option to sell the remaining 20 per cent of the shares to HSBC for a price rising from £4.75m today up to £6.5m in three years' time. After the expiry of the put option, HSBC will itself have an option to buy the minority stake for £6.5m.

The preliminary sale agreement, which still awaits the finalisation of certain details, including the exact terms of the option arrangements, does also *provide for the* vendor to take 20 per cent of the business's *profits* insofar as these exceed £3m, £3.5m and £4m in 1982, 1983 and 1984 respectively.

Mr Peter Hutson, an executive director of HSBC in London, said the business would complement the banking group's existing activities. It would retain its present staff under Mr Peter Reynolds and would operate from its present offices under the name of TMK International.

He added that it would be reporting directly to Hong Kong and there were no plans for it to be involved with Antony Gibbs, the London merchant bank. At the same time, said Mr Hutson, many aspects of the deal had yet to be considered and were not necessarily going to be finally decided "at this preliminary stage."

The complexity of the deal apparently reflects Tozer Kemsley's desire to retain an important stake in what both parties believe will be a rapidly growing business. At the same time, *said* Mr Ken Thorogood, the group's chairman, the sale was "a natural development." The confirming business had been moving into financing on a much larger scale and required a more powerful asset base such as only a bank could really provide.

Tozer Kemsley, which has had a busy year of consolidation and reorganisation, sold its large travel agency group *OSL-Wings* to Rank Organisation for over £21m last December. Mr Thorogood said yesterday that the deal with HSBC would further improve Tozer Kemsley's liquidity.

The chairman added that the sale would also improve Tozer Kemsley's *profits, since "dropping* the interest costs of the trade financing division should more than compensate for the lost profits." The group's pre-tax profits fell sharply in 1981 to £1.01m against £5.52m.

Details of a "substantial improvement" in gearing will be given by Tozer Kemsley in a Class 1 circular to its shareholders.

IDRIS HYDRAULIC

On November 25, 1981 Permodalan Bersatu Berhad announced that it purchased 439,444 ordinary shares (34.33 per cent) of Idris Hydraulic Tin. Permodalan now intends to offer M$14 *cash* for each *ordinary* share of Idris not already owned.

Approach to Noble & Lund may signal bid

NOBLE AND LUND, the Gateshead engineer and machine tool maker, yesterday said it had received an approach from an *unnamed* party which might lead to a partial or full offer for the company.

It responded with a statement that trading has improved *significantly* in recent weeks and forecast that the company would resume dividend payments this year. It cautioned, however: "There have been so many false dawns that the company is naturally hesitant to believe that the cycle has fully turned."

Noble made a 1981 pre-tax *loss of £36,481 on turnover* of £1.57m, compared with the previous year's profit of £82,020 on turnover of £1.70m. It paid no 1981 dividend.

The shares closed 8½p higher at 18p yesterday, putting a market value of £1,084,710 on the company.

Noble told shareholders it had a *strong balance sheet,* with shareholders' funds at £2,215,911 on December 31 1981—about 39p per 10p share—and no borrowings.

Mr Alan *Noble, chairman* and joint managing director, said the directors felt the 1981 annual report was perhaps too pessimistic. The company was in the black, in the *first half* of 1982, he said.

Global Resources' board seeks shareholder support

BY RAY MAUGHAN

IN ONE of the bitter proxy *battles for boardroom control* which threaten to become something of a feature of secondary North American oil and gas exploration groups, the directors of Global Natural Resources are now summoning shareholders to their defence at the annual general meeting scheduled to *take* place in the Grand Hotel, St Helier, Jersey, on September 13.

Global's problems are twofold: its past (as its opponents have been quick to point out) springs from the Fund of Funds, the lynchpin of Mr Bernie Cornfeld's failed IOS empire. Of more *importance* is the fact that Global does not know who its shareholders are.

The stock is held in bearer form and although the equity *is* traded in London, Frankfurt and in Over-the-Counter form in the U.S., the group's best guess is that half the 21m or so units are held in the U.S. and half *in other countries. Bearer* shares do not require a register although this is as much a problem for the slate of dissident directors as for the incumbents.

The dissident directors are headed by Mr Marvin Warner, a former U.S. ambassador to Switzerland who is now *chairman of* Great American Banks, a banking holding company. Another dissident is Mr John W. Bertoglio, a director and major shareholder of Ennex, an oil and exploration development company in Oklahoma. The dissidents are advised by a major Wall Street brokerage house, Bear Stevens, whose chief executive officer, Mr Greenburg, is also seeking a seat on the Global board.

Stressing that Global has "not been well managed" and that "new ideas and vitality" must be brought to the board if Global shareholders are to "realise the *full* potential from their holdings," the Warner-Bertoglio faction states that "even now all contact with the past has not been broken."

The point where the current board and their opponents are most sharply diverged is the existence of any remaining links between Global executives and Vesco and Cornfeld.

The dissidents, too, have taken steps to dissociate themselves from any attempt contemplated, as reported, by Mr Cornfeld to vote a *substantial line of shares* on their behalf at the annual meeting.

The incumbents executives, advised by Hambros Bank, which shares with Global a director in Mr Harry Fitzgibbons, were stressing yesterday that the links have been truly severed and Mr Beatty was alone instrumental in freezing, and eventually liquidating, the property asets in Global's 47 per cent controlled Canadian associate, IPI Property.

The cash realised by this liquidation amounts to more *than $50m attributable to Global* which has helped to underpin the group's "substantial growth experienced over the last five years in oil and gas revenues, reserves and shareholders' equity." The defenders' letter to shareholders points out that income per share grew from 17 cents to 86 cents between 1977 and 1981 and shareholders' equity expanded from $41.33m to $92.42m.

Its Arctic interests are represented by a 17.2 per cent working stake in 1.78m net acres in the Sverdrup Basin which, at December 31 last, showed reserves of 20 trillion cu ft of gas and an estimated 1bn *barrels* of recoverable oil in the entire basin area.

Global Natural Resources PLC

Eighth Annual General Meeting of the Shareholders to be held on the 13th September, 1982

Proxy Information

The Notice of the Annual General Meeting of shareholders of Global Natural Resources PLC ("the Company") to be held on 13th September, 1982, describes a number of resolutions upon which the shareholders are being asked to vote. This document provides information about the resolutions reproduced in full in Schedule I.

All holders of shares in the Company, whether registered or represented by Share Warrants to Bearer, may vote their shares by following the instructions set forth under "How to Vote". All but seven of the 21,146,957 shares of the Company outstanding on 12th May, 1982 are represented by Share Warrants to Bearer.

The matters to be considered by shareholders in deciding how to cast their votes at the Annual General Meeting are extremely important. Your Board of Directors believes that, given the serious issues presented by this attempt to gain control of your Company, it is essential that there be sufficient time for your Board to communicate with as many shareholders as possible and put them in full possession of the facts, for shareholders to review fully these facts before deciding how to cast their votes and for the shareholders then to have time to vote. Since almost all of the Company's shares are in bearer form, your Board cannot communicate directly with shareholders until they respond to advertisements and the voting procedure is more time-consuming than in the case of registered shares. Your Board takes the view that effective communication to shareholders and exercise of their votes would not take place if the meeting were held before the holiday period begins in mid-July. Your Board has therefore decided to convene the meeting for Monday 13th September, the earliest practicable date for the meeting after the holiday period has come to an end. The meeting is being convened now so that shareholders *may be fully informed as soon as possible.*

Resolution 1:

The Annual Report for the year 1981, which is available as explained under "Documents Available", includes a Report of the Directors, Financial Statements, a Report of the Auditors on the Financial Statements and supplemental information about the operations of the Company and its subsidiaries. The significant accounting policies followed by the Company are generally accepted for the oil and gas industry in the United Kingdom and the United States and are set forth in Note 2 to the Financial Statements.

The Board of Directors has approved the Directors' Report and the Financial Statements for the year ended 31st December, 1981 and recommends that shareholders vote FOR Resolution 1 to receive and approve the Directors' Report and the Financial Statements for 1981 as reported upon by the auditors and presented to the Meeting.

Resolutions 2 and 3:

The Directors standing for re-election are Mr. Walter H. Saunders and Mr. Kenneth H. Parke, whose terms as directors will expire under the provisions of the Company's Articles of Association.

Mr. Saunders has served on the Board since his election in March, 1971 and serves on the Audit and Compensation Committees of the Board. He serves as Chairman of the Board of Liberian International American Corp. and President of its operating subsidiary, Liberian Iron & Steel Corp. Mr. Saunders is also a Director of Atlantic Bank of New York, The Reserve Fund, Inc., and Stralem Fund, Inc.. Mr Saunders, who is 76 years of age, has served as Vice *President-Investments of Metropolitan Life Insurance Company*, was a partner in Ladenburg, Thelmann & Co. and was President and Chairman of Transoceanic Marine, Inc., a company engaged in the international transportation of bulk cargo.

Mr. Parke is a solicitor of the Supreme Court of England and was for many years employed by the British Petroleum Company Limited in various capacities including 10 years as Group Secretary of that company. Mr. Parke, who is 68 years of age, has served on the Board since his election in March 1976.

The Board of Directors recommends that shareholders vote FOR Resolutions 2 and 3 for the re-election of Messrs. Saunders and Parke.

Resolutions 4 and 5:

The firm of Peat, Marwick, Mitchell & Co., Chartered Accountants, has served as the Company's auditors each year since 1976. They have agreed to serve as auditors for the year 1982. A representative of Peat, Marwick, Mitchell & Co., will be present at the Annual General Meeting to respond to appropriate questions and have the opportunity to make a statement if he so desires. Peat, Marwick, Mitchell & Co. will be acting as scrutineer for the Meeting.

The Board of Directors recommends that shareholders vote FOR Resolutions 4 and 5 for the appointment of Peat, Marwick, Mitchell & Co., and for the Directors to fix the Auditors' remuneration.

Resolutions 6 through 20:

A group of individuals and entities (the "Requisitionists") *is proposing resolutions to remove all of the present Directors of* the Company and replace them with persons nominated by the Requisitionists, as set forth under "Statement by Requisitionists".

In addition, the Requisitionists are asking shareholders to agree that the Company pay in full the expenses incurred in giving effect to their requisition.

The Board of Directors, advised by Hambros Bank Limited in the United Kingdom and Lehman Brothers Kuhn Loeb Incorporated in the United States, believes that the Requisitionists' proposals are not in the best interests of the Company and its shareholders and recommends that shareholders vote AGAINST Resolutions 6 through 20, for the reasons stated under "The Company's Response to the Requisitionists' Statement".

Please Note:

If the Chairman of the Meeting is named as proxy on the Form of Proxy and no vote is indicated on a Resolution, the Chairman has advised that he will vote the shares represented by the proxy **FOR** each of Resolutions 1 through 5 and **AGAINST** each of Resolutions 6 through 20, and in his discretion upon any other *matter which may properly come before the meeting.*

How to Vote

A holder of shares in the Company, whether registered or represented by Share Warrants to Bearer, may vote in person at the Annual General Meeting or may appoint another person, whether a member of the Company or not, as his proxy to attend and vote in his stead.

A holder of Share Warrants to Bearer who wishes to exercise the right to vote at the Annual General Meeting must, not later than 2.30 p.m., Jersey, Channel Islands time (9.30 a.m. New York time) on 10th September, 1982, deposit his share warrants at the registered office of the Company at 2 Norfolk Square, Brighton, Sussex, BN1 2PB, England, or with a depository of his choice which must either be a bank or a stock brokerage firm which is a member of a recognised stock exchange, a member of the National Association of Securities Dealers (United States) or a member of a recognised securities dealers' organisation (outside the United States) other than the institutions identified in Instruction 1 to the Certificate of Deposit and Form of Proxy referred to below.

If a holder of Share Warrants to Bearer wishes to avail himself of the opportunity to deposit his share warrants at a depository of his choice other than the registered office of the Company he MUST use the Certificate of Deposit and Form of Proxy which will be supplied to him by the Company on request. NO OTHER EVIDENCE OF THE DEPOSIT OF SHARE WARRANTS TO BEARER OTHERWISE THAN AT THE REGISTERED OFFICE OF THE COMPANY WILL BE ACCEPTED.

To attend and vote in person at the Meeting, the holder must both deposit his Warrants, as described above and produce at the Meeting the Certificate of Deposit, duly signed and completed.

To vote by proxy at the Meeting, the holder must not only deposit his Warrants as described above but also deposit the Certificate of Deposit and Form of Proxy with both the Certificate of Deposit and Form of Proxy duly signed and completed, with the Company's Registrar at its office at 2 Norfolk Square, Brighton, Sussex, BN1 2PB, England, not later than 2.30 p.m., Jersey, Channel Islands time, or at the office of Global Natural Resources Inc., 47 Maple Street, Summit, New Jersey, 07901 U.S.A. not later than 9.30 a.m., New York time, on 11th September, 1982. ANY CERTIFICATE OF DEPOSIT AND FORM OF PROXY NOT SO LODGED WILL BE INVALID.

Certificates of Deposit and Forms of Proxy will only be valid for an adjournment of the Annual General Meeting if that adjournment is held on or before 16th September, 1982. This is because the Certificates of Deposit allow the Share Warrants to Bearer to be returned to the holders on or after 17th September, 1982. If the meeting is adjourned beyond 16th September, 1982, new Certificates of Deposit and Forms of Proxy for use at the adjourned meeting will be sent by post to any holder who has duly lodged or produced such document for use at the original meeting at his address as shown on the Certificate of Deposit and will be sent to any other holder on application to the Registrar at either of the addresses mentioned on the opposite page.

IMPORTANT

It is likely that persons other than the Company will solicit your proxy. The Company wishes to remind you that before you appoint as your proxy any person or group other than the Chairman of the Meeting, you are entitled to be advised as to how the person to whom the proxy is given will vote the shares and to receive information as to their personal interests in the matters to be voted on.

Documents Available

The following documents may be obtained by holders of shares in the Company from the Company's Registrar, Global Shareholders Services Limited (the "Registrar"), either at its office at 2 Norfolk Square, Brighton, Sussex, BN1 2PB, England, or at the office of Global Natural Resources Inc., 47 Maple Street, Summit, New Jersey, 07901 U.S.A. or from the Company's financial advisors and information agent set forth on the opposite page:

(i) the Company's Annual Report for the year ended 31st December, 1981, including the Report of the Directors, Financial Statements and Report of the Auditor; and
(ii) a copy of this Notice and Proxy Information; and
(iii) a Certificate of Deposit and Form of Proxy; and
(iv) the Company's letter to shareholders in which the Director's reasons for recommending rejection of the Requisitionists' resolutions are set out in full.

These documents, together with copies of Directors' Service Contracts, are available for inspection by holders of shares in the Company (whether registered or represented by Share Warrants to Bearer) during normal business hours on any day (other than a Saturday, Sunday or public holiday) at the offices of the Company and its Registrar and at the office of Messrs. Theodore Goddard & Co., 16 St Martin's-le-Grand, London, EC1A 4EJ, England until the conclusion of the Annual General Meeting.

Information about the Company's Board of Directors

In addition to Messrs Kenneth H. Parke and Walter H. Saunders, whose re-election as Directors is to be voted upon pursuant to Resolutions 2 and 3, the following persons, whose terms do not expire at the Annual General Meeting, serve as Directors of the Company:

Frank G. Beatty, who is aged 61, has been a Director of the Company since August 1971 and its President since 1972. Mr. Beatty was a partner in Coopers and Lybrand, Certified Public Accountants, from 1961 to 1969 and, from August 1969 to March 1973, was Executive Vice-President and a Director of International Controls Corp.

Dr. Gerold Bezzenberger, who is aged 52, has served on the Board since his election in June 1976. He has also served as a member of the Audit Committee of the Board since its formation in 1977. Dr. Bezzenberger practises law in West Berlin.

George E. Dunlap, who is aged 65, has been a Director of the Company since June 1976. Mr. Dunlap is President of Dunlap Petroleum Consultants Ltd. and has held a number of senior positions in the Canadian petroleum industry.

Harry E. Fitzgibbons, who is aged 45, has been a Director of the Company since September 1979. He is a Director of Hambros Bank Limited, Boston Hambro Capital Corporation and Anglo-Nordic Shipping Limited, of which last company he is also Chairman and President.

Jacques W. Zollar, who is aged 62, is the President of Natural Resources Corporation, the Company's wholly-owned United States operating subsidiary ("NRC"). He is a registered Professional Engineer with a B.S. degree in Mining Engineering and Geology. Prior to joining NRC in 1971, he was employed by Shell Oil Company in a variety of professional engineering and executive positions, including those of Chief Petroleum Engineer of the Midland Exploration and Production Area, Rocky Mountain Division Production Manager, and Rocky Mountain Division Manager—Environmental affairs.

Information as to Shareholdings

The Directors of the Company beneficially own the following number of shares and options to acquire shares of the Company at 10th May, 1982:

Name of Director	*Shares*	*Options*	*Exercise Price**	*Date of Grant*
Frank G. Beatty	28,514	35,000	$11.38	10/12/80
Dr. Gerold Bezzenberger	—	20,000	17.81	16/6/81
George E. Dunlap	—	20,000	17.81	16/6/81
Harry E. Fitzgibbons	—	20,000	17.81	16/6/81
Kenneth H. Parke	1,000	20,000	17.81	16/6/81
Walter H. Saunders	15,200	20,000	17.81	16/6/81
Jacques W. Zollar	24,024	25,000	11.38	10/12/80

*Market value at the date of grant.

So far as is known to the Company, the only person (other than the Requisitionists, as a group) who held more than 5 per cent. of the Company's shares at 10th May, 1982 is Mr. John Orr, who holds 1,357,462 shares as Trustee. Mr. Orr has no beneficial interest in such shares.

Statement of Requisitionists

The following statement is included in accordance with Section 140 of the Companies Act of 1948. A summary of the response of your Board of Directors is set forth alongside under "The Company's Response to the Requisitionists' Statement".

"To the Shareholders of Global Natural Resources Limited.

Included in the notice convening the Annual General Meeting are resolutions for removing and replacing all the directors of the Company. This statement is issued by those who are proposing the resolutions, consisting primarily of Mr. Marvin Warner, Mr. Jack Bartoglio and Bear, Stearns & Co., a New York investment brokerage firm.

Most of you will know the origins of the Company and how it emerged from the IOS debacle. Even now all contact with the past has not been broken. However, it is not so much the past which concerns us, as the present and future. Put shortly, we believe that the Company has not been well managed, and that new management bringing new ideas and vitality to the Company's business is essential if shareholders are to realise the full potential from their holdings.

At last year's Annual General Meeting, the present Board brushed aside the criticism by Bear Stearns and others concerning the Company's performance and the introduction of a stock option schema, saying that the critics had failed to take into account the Company's plans for maximising its assets and the market position of the shares. In the intervening year, the Board has made no proposals to shareholders for improving either the assets of the Company or the share price.

If elected the new directors will, as their first priority, review all ways of employing the Company's assets to the best advantage of the shareholders, with a view to formulating comprehensive proposals at an early date. The alternatives for consideration might include liquidation, the disposal of assets, a change in domicile, a merger, acquisition of another company, or, when the law permits, the purchase by the Company of its own shares. It would be premature to anticipate their conclusions before they have had an opportunity of conducting the necessary review, but you can be assured that they will pursue new policies for the benefit of both the Company and its shareholders with energy and vigour.

We believe that the present Board has neither the vitality nor the commitment which is required for the task. Their aggregate shareholdings at 26th June, 1981 (excluding the Shares held in trust by Mr. Carter) were only 67,819 compared with more than one million shares now held by the proposed new directors and their associates. To the undoubted commitment of the proposed new directors can be added a wealth of experience in the oil and gas industry, in finance and in public service.

The proposed new directors are:

Mr. Warner, aged 62, who was formerly the United States Ambassador to Switzerland and is now the Chairman of the Board of Great American Banks, Inc., a bank holding company.

Mr. Greenberg, aged 54, who is Chief Executive Officer of Bear, Stearns & Co.

Mr. Watson, aged 58, who has had many years of experience in the oil industry having been a Director of Occidental Petroleum Corporation and President and Chief Executive Officer of Occidental International Corporation. He previously held office as Postmaster General of the United States.

Mr. Bertoglio, aged 47, who is a Director and major shareholder of Ennex Inc., an oil exploration and development company in Oklahoma.

Mr. Bongard, aged 40, who is the President and a Director of Warner National Corporation.

Mr. Arky, aged 38, who is the President of the law firm of Arky, Freed, Stearns, Watson & Greer, P.A. of Miami, Florida.

Mr. Weary, aged 54, who is a partner in the law firm of Blackwell, Sanders, Matheny, Weary & Lombardi of Kansas City, Missouri.

We urge you to support the proposals which we believe are in the best interests of the Company and its shareholders. To do so you should IMMEDIATELY apply to Bear, Stearns & Co. at either

55 Water Street, New York, New York 10041, attention: Mr. M. Tarnopol
or 10–12 Copthall Avenue, London, EC2, attention: Mr. D. Nation

for a Certificate of Deposit and Form of Proxy.

If you have received a Certificate of Deposit and Form of Proxy from the Company you should have the Certificate of Deposit completed by the bank or brokerage firm which holds your shares and you should complete the Form of Proxy as follows:

1. Insert in the space provided in the form for your choice of proxy: "Mr. Bertoglio or Mr. Arky or Mr. Bongard".
2. vote FOR each of the resolutions to remove the existing directors and FOR the resolutions appointing Messrs. Warner, Greenberg, Watson, Bertoglio, Bongard, Arky and Weary as directors in their place; and
3. vote AGAINST the resolutions to re-elect Messrs. Parke and Saunders.

Whether you obtain the Form of Proxy from the Company or from Bear Stearns, return it after completion to Bear Stearns at either of the above addresses so as to reach them not later than 6 days before the meeting. DO NOT RETURN IT TO THE COMPANY. Bear Stearns will arrange for this to be done at the appropriate time."

PLEASE BE ADVISED THAT, TO THE EXTENT COMPLIANCE WITH THE ABOVE INSTRUCTIONS OF THE REQUISITIONISTS DOES NOT MEET THE LEGAL REQUIREMENTS SET FORTH IN THE CERTIFICATE OF DEPOSIT OR FORM OF PROXY OR ABOVE UNDER "HOW TO VOTE", THE LEGAL REQUIREMENTS THERE SET FORTH WILL PREVAIL.

The Company's Response to the Requisitionists' Statement

The Requisitionists have recently acquired shares of the Company in order to launch a proxy contest. The Company has experienced substantial growth over the last five years in oil and gas revenues, reserves and shareholders' equity, and is now in a strong financial position. Despite this, the Requisitionists ask you to remove the Company's entire Board of Directors and to replace it with their own nominees.

The Requisitionists' nominees are all United States individuals whose record in the oil and gas industry has been limited and without apparent success. In their statement, the Requisitionists have failed to provide a single new idea to improve the operations or business of your Company. They have merely produced an abstract list of possible ways a company can employ its assets. Your Board questions the ability and experience of the Requisitionists' nominees to formulate a plan to utilise the Company's assets in ways which will benefit all shareholders. In addition, the Requisitionists' nominees are so closely interconnected by personal and financial ties that we believe they would not be in a position to act independently and in the interests of all of the Company's shareholders.

Moreover, your Board questions the suitability of certain of the nominees to serve as directors of a public company, in light of their past business records. Your Board's concerns with respect to these matters are fully detailed in the Company's letter to shareholders, which you are urged to obtain from the Company, its financial advisers or information agent at the addresses given on the opposite page.

The Board of Directors and the Company's financial advisers, Hambros Bank Limited and Lehman Brothers Kuhn Loeb Incorporated, unanimously recommend that you oppose this attempt to take control of your Company.

The success of your Company over the last five years results from the sound business judgment and independence of the Company's Directors and their commitment to represent all of the shareholders. The Board and present management took the steps which enabled the Company to emerge from the IOS debacle with its energy assets intact and with its interests in non-energy assets converted into cash available for exploration and development. The Company's progress is reflected in the market price for its shares—which rose from $1.48 in September, 1976 (when a majority of your present Directors were elected) to $13½ (closing bid) at 21st May, 1982.

The Board has been responsible for important acquisitions (including the Company's highly successful investment in Indonesia) and for the preservation and enhancement of the Company's Canadian Arctic Islands oil and gas properties. The Company is engaged in an increasing programme of exploration and development. The Board and management continue to pursue the strategy of making acquisitions during periods when attractive opportunities are available. The Company is particularly well placed to take advantage of recent decreases in the price of oil and gas assets to augment its reserves on an advantageous basis and to strengthen its position in the industry.

Do not underestimate the importance of your vote, however small your holding. We urge you to act decisively in rejecting this attempt by a group of opportunists to take control of your Company. **It is strongly recommended that you vote AGAINST the Requisitionists' resolutions and FOR the resolutions proposed by the Company.**

This response is a summary of the Company's full letter to shareholders which can be obtained from the Company, its financial advisers or information agent at the addresses given on the opposite page.

YOUR VOTE IS EXTREMELY IMPORTANT.

See "How to Vote" above.

Schedule I

Resolutions to be Presented by the Company:

1. To receive and approve the Directors' Report and Financial Statements and the Auditors' Report thereon for the year ended 31st December, 1981.
2. To re-elect Mr. Walter H. Saunders a Director.
3. To re-elect Mr. Kenneth H. Parke a Director.
4. To appoint Messrs. Peat, Marwick, Mitchell & Co. Auditors of the Company for 1982.
5. To authorise the Directors to fix the remuneration of the Auditors.

Resolutions to be Presented by the Requisitionists:

6. That Mr. Frank G. Beatty be and he hereby is removed from office as a Director of the Company.
7. That Mr. Mervin L. Warner be and he hereby is appointed a Director of the Company in place of the said Mr. Frank G. Beatty.
8. That Dr. Gerold Bezzenberger be and he hereby is removed from office as a Director of the Company.
9. That Mr. Alan C. Greenberg be and he hereby is appointed a Director of the Company in place of the said Dr. Gerold Bezzenberger.
10. That Mr. George E. Dunlap be and he hereby is removed from office as a Director of the Company.
11. That Mr. W. Marvin Watson be and he hereby is appointed a Director of the Company in place of the said Mr. George E. Dunlap.
12. That Mr. Harry E. Fitzgibbons be and he hereby is removed from office as a Director of the Company.
13. That Mr. Jack W. Bertoglio be and he hereby is appointed a Director of the Company in place of the said Mr. Harry E. Fitzgibbons.
14. That Mr. Kenneth H. Parke be and he hereby is removed from office as a Director of the Company.
15. That Mr. Burton M. Bongard be and he hereby is appointed a Director of the Company in place of the said Mr. Kenneth H. Parke.
16. That Mr. Walter H. Saunders be and he hereby is removed from office as a Director of the Company.
17. That Mr. Stephen W. Arky be and he hereby is appointed a Director of the Company in place of the said Mr. Walter H. Saunders.
18. That Mr. Jacques W. Zollar be and he hereby is removed from office as a Director of the Company.
19. That Mr. Daniel C. Weary be and he hereby is appointed a Director of the Company in place of the said Mr. Jacques W. Zollar.
20. That the expenses incurred in giving effect to the requisition dated the 20th day of April, 1982 and made in accordance with Section 140 of the Companies Act 1948 be met in full by the Company.

BIDS AND DEALS

Charterhall to buy 75% of General Oil

BY CHARLES BATCHELOR

CHARTERHALL, the natural resources investment holding company, has agreed to acquire 75 per cent of General Oil, a UK oil exploration company, for £1.7m in shares.

Charterhall will issue 3.7m fully paid 5p shares representing 9.6 per cent of its enlarged capital and worth £1.7m based on a price of 46p for each Charterhall share.

General Oil has a 9.5 per cent working interest in licence P.356 covering block 22/5b in the UK sector of the North Sea, a block awarded in the seventh round. Drilling of the first well is due to start in June.

The book value of the assets of General Oil amount to £1.37m of which £750,000 is cash to meet drilling commitments on the first well.

General Oil has no plans to dispose of any of the shares. It has agreed to hold half for at least 12 months and not to dispose of the rest without consulting Charterhall.

The Department of Energy has been advised and confirmed that it has no objection to the arrangement. It is conditional on obtaining a listing on the stock exchange for the new shares. An application to the Stock Exchange will be made shortly.

BRITANNIA ARROW/ GEN. & COMMERCIAL

The offers by Britannia Arrow Holdings for the ordinary and preference shares of General and Commercial Investment Trust have become wholly unconditional and will remain open for acceptance until further notice. The offer for the preference shares has been accepted by holders of 92.6 per cent.

Newey and Eyre expands

Newey and Eyre, one of Thomas Tilling's principal operating subsidiaries, is expanding its UK electrical wholesaling activities and developing further into the distribution of electrical appliances to the retail trade by acquisition of Pollard Ray and Sampson from J. H. Sankey and Son. Cash consideration, including repayment of inter-company loans, is £3.95m.

Pollard's sales of £41m for year to March 31 1982 comprised 24 per cent of Sankey's turnover.

CAWOODS/REDLAND

In accordance with the terms of the Redlands' equity offers for Cawoods Holdings, the number of Lasmo shares being offered as consideration has been adjusted as a result of the increase in the market price of Lasmo shares from 330p to 335p xd, being the middle market quotation on May 24. Accordingly, a holder of 200 existing Cawoods' ordinary shares will be entitled, as part of the consideration due to him, to approximately 26.88 Lasmo shares instead of 27 Lasmo shares.

Shares representing the aggregate of fractions of a Lasmo share will be sold in the market and net cash proceeds distributed pro rata to shareholders entitled thereto.

DOLPHIN CABLE

Spicer and Pegler partners Richard Turton and John Talbot have been appointed receivers of Dolphin Cable Company, based at Billingham. The company was set up with a share capital of £1.7m in September 1980 to recover out-of-service submarine telecommunications cables from the sea bed.

The company has purchased and equipped a ship, the MV Baltico operating out of Hartlepool which has so far recovered more than 700 miles of cable. The company encountered difficulties in establishing the business which took considerably longer than anticipated.

Wormalds agrees offer

Hainsworth and Sons, a Leeds-based private manufacturer of fine yarn and cloth, yesterday announced an offer of 18p cash for each 25p share of the woollen textile group Wormalds, Walker and Atkinson. The offer values Wormalds at £566,100.

The board of Wormalds said it considered the offer to be fair and reasonable, and the directors recommended shareholders to accept. They intend to accept in respect of their own beneficial shareholdings, amounting to 237,400 shares or 7.5 per cent of the equity.

Neither Hainsworth nor any party acting in concert owns any shares in Wormalds. It intends that upon the offer becoming unconditional Wormalds will continue to operate from Dewsbury.

The shares, which were suspended at 9½p on Monday, were restored to a listing yesterday.

Pru's new U.S. company

The Prudential Corporation, Britain's largest life assurance company, has launched a new company in the U.S. — Holborn International Portfolio Managers, based in New York.

The new company will manage segregated investment portfolios, investing in international equity, bond and cash assets, for pension funds in the U.S. It has been registered with the Securities Exchange Commission.

The Pru, one of the largest investment institutions in the UK, has been offering pension fund management in a variety of means. Its latest venture is to offer segregated investment management for UK pension funds through Prudential Portfolio Managers.

The new company will be headed by Pru's investment manager Michael Newmarch. He said that American pension funds were anxious to achieve a better risk-reward ratio on their funds and were now building up their international investments.

ASSOCIATE DEAL

On May 24, S. G. Warburg and Co, as an associate of Pearson Longman, sold on behalf of a discretionary investment client 25,000 ordinary 25p shares of Pearson Longman at 338p.

Panto back in loss for second half

THE RETURN to profit by P. Panto and Co, at midyear was short-lived although the group still managed to sharply reduce its losses for 1981 as a whole.

At six months the company returned pre-tax profits of £12,000 (£104,000 loss) as a result of rationalisation, reduced interest charges and a large stock increase in March this year.

The group fell back into loss during the second half and for the 1981 year finished with taxable losses of £147,000 compared with a deficit of £289,000 in the previous year.

The directors are recommending the payment of a 0.3p net dividend for the year, the first payment since 1978.

Full year turnover of the group, a wholesale tobacconist, confectioner, grocer and sundriesman, edged ahead from £26.64m to £27.02m and trading profits came through at £326,000, against £291,000.

The loss included property income of £19,000 (£20,000) and loan interest of £9,000 (£8,000) but was after directors' remuneration of £129,000 (£135,000), bank interest £219,000 (£329,000), same-again audit fees and expenses of £16,000 and depreciation £137,000 (£138,000).

There was a tax credit this time of £1,000 (£318,000) and extraordinary credits of £342 (£271).

Sir Monty Finniston has agreed to stay on as adviser for a further year.

Steady second half leaves Lanca ahead

Holding firm at £91,000 in the second half, pre-tax profits of Lanca the handbag manufacturer and wholesaler advanced from £142,000 to £181,000 on turnover up from £1.87m to £2.32m for 1981.

At midway, when an increase to £89,884 (£50,847 after extraordinary expenditure of £8,988) was reported, the directors said second half turnover was expected to improve but margins were lower due to competitive pressure and a fall in the value of sterling. Also there was a substantial claim pending against substandard merchandise received which, subject to negotiations, might have a material effect on second half profits.

The year's profit was struck after the inclusion of interest of £44,000 (£40,000) and was subject to tax of £79,000 (£42,000). This left earnings per 20p share ahead from 9.12p to 9.29p and the net interim dividend is held at 2.4p.

Downturn by Associated Engineering SA

MISMANAGEMENT and problems in a division supplying garage and automotive equipment are blamed by Associated Engineering, the 64.6 per cent-owned South African subsidiary of Associated Engineering, for a fall in first-half operating profit before tax and interest from R3.9m (£2.02m) to R2.3m (£1.19m).

Management changes have been made to rectify the problem. Half of the Silverton division, which makes industrial and automotive radiators, has been sold—the remaining 50 per cent is not consolidated in the accounts. As a result, first-half turnover to March 31 1982 declined to R41.4m (R53m). The directors say that after taking into account Silverton's de-consolidation turnover was in fact, up by 12.5 per cent.

North British Steel declines

Taxable profits of North British Steel Group (Holdings) for the 28 weeks to April 10 1982 fell to £37,000, compared with £202,000 for the corresponding period and £595,000 for the last full year.

Sales for the first half amounted to £7.58m (£7.83m) and there was again no tax charge.

Earnings per 25p share of this steel founder and engineer fell from 4p to 0.7p but the net interim dividend is held at 0.7tp. Last year's total payment was 2.2p.

LONDON TRADED OPTIONS

May 25. Total Contracts 1,494 Calls 1,183 Puts 311

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	300	28	2	34	25	48	—	318p
BP (c)	330	9	1	19	52	28	—	"
BP (p)	300	9	—	15	25	22	—	"
CU (c)	120	15	5	21	—	24	1	134p
CU (c)	130	10	—	15	2	20	—	"
CU (c)	140	5	—	11	2	15	—	"
Cons. Gld (c)	360	20	4	35	—	45	—	357p
Cons. Gld (c)	390	7	—	20	3	32	—	"
Cons. Gld (c)	460	2	—	5	30	—	—	"
Cons. Gld (c)	500	1½	—	3	16	—	—	"
Cons. Gld (p)	360	14	10	23	—	30	—	"
Ctlds. (c)	80	12	37	17	—	21	—	89p
Ctlds. (c)	90	5	32	10	—	14	4	"
GEC (c)	850	57	10	97	—	125	—	899p
GEC (c)	900	32	5	58	1	90	—	"
GEC (p)	800	4	—	6	13	18	—	"
GEC (p)	850	10	1	20	—	30	—	"
GEC (p)	900	25	2	42	—	47	—	"
Gr'd Met. (c)	200	13	32	19	4	26	—	208p
Gr'd Met. (c)	230	4	1	9	3	12	1	"
Gr'd Met. (p)	180	2	—	4	10	—	—	"
Gr'd Met. (p)	200	7	105	14	—	17	—	"
Gr'd Met. (p)	220	12	70	27	3	30	5	"
ICI (c)	240	90	15	—	—	—	—	332p
ICI (c)	260	70	15	—	—	—	—	"
ICI (c)	280	50	a	—	—	—	—	"
ICI (c)	300	32	24	40	5	48	—	"
ICI (c)	330	13	67	22	6	32	—	"
ICI (c)	360	3	72	7	24	—	—	"
ICI (p)	240	1½	3	—	—	—	—	"
ICI (p)	260	1½	3	—	—	—	—	"
ICI (p)	280	6	11	—	—	—	—	"
ICI (p)	300	6½	5	11	—	14	—	"
ICI (p)	330	12	17	22	—	26	—	"
Land Sec. (c)	300	5	2	18	—	23	—	281p
Land Sec. (c)	330	1½	—	7	15	—	—	"
Shell (c)	390	50	5	60	—	70	—	430p
Shell (c)	420	26	103	32	57	48	1	"
Shell (p)	360	3	10	6	—	—	—	"
Shell (p)	420	12	2	22	—	26	—	"
		August		November		February		
Imperial (c)	80	12½	5	20½	—	—	—	97p
Imperial (c)	90	12	50	14½	—	17	—	"
Imperial (c)	100	5¼	4	8	16	9¼	1	"
Lasmo (c)	300	52	1	67	—	—	—	342p
Lasmo (c)	330	30	4	47	—	58	—	"
Lasmo (c)	360	16	9	30	a	48	1	"
Lasmo (c)	390	8	a	—	—	—	—	"
Lonrho (c)	70	6½	55	7½	10	2½	—	71p
Lonrho (c)	80	a	—	3	10	5	—	"
Lonrho (p)	80	11	a	12	—	15	—	"
P & O (c)	120	32	12	36	13	—	—	149p
P & O (c)	130	22	8	26	32	—	—	"
P & O (c)	140	16	49	20	55	24	—	"
P & O (c)	160	5	44	9	12	12	—	"
Racal (c)	390	42	12	60	—	70	—	418p
Racal (c)	420	22	21	42	—	52	—	"
Racal (c)	460	7	17	20	3	33	—	"
Racal (p)	420	20	6	27	—	33	—	"
RTZ (c)	420	37	2	50	—	60	—	432p
RTZ (c)	460	13	6	29	12	36	—	"
RTZ (c)	500	6	10	—	—	—	—	"
RTZ (p)	420	14	6	25	—	35	—	"
Vaal Rfs. (c)	45	6½	2	6	a	7½	—	$46
Vaal Rfs. (c)	50	2	10	3	—	3¼	a	"
Vaal Rfs. (p)	40	1½	5	3½	—	—	—	"

C=Call P=Put

Carroll Industries makes I£500,000 improvement

HISTORICAL pre-tax profits of Carroll Industries, the Dublin-based cigarette and tobacco manufacturer, rose from I£4.11m to I£4.65m in the six months to March 31 1982. Group sales climbed from £82.29m to £103.53m, of which £98.43m against £79m came from domestic sales.

Current cost operating profits show a marginal increase of 2 per cent from £3.32m to £3.39m, and pre-tax profits under this accounting system rose from £2.52m to £2.93m.

The directors say that, given the unfavourable economic climate, the results are regarded as "satisfactory." Accordingly, they have decided to pay an interim dividend up from 2.25p to 2.7p net at a cost of £1.3m (£1.08m). Last year's total payment was 6.25p from historical pre-tax profits of £8.99m.

They add that continuing high levels of inflation, and a strengthening U.S. dollar have had a considerable impact on costs. At the same time, the long delayed but downward adjustment occurring in disposable incomes is putting pressure on volume sales levels.

Fieldcrest Mills Inc. in March this year informed the minority shareholders in Fieldcrest Ireland that it was not prepared to proceed with the Carroll Industries' proposals for the capital and managerial re-structuring of the company. In the circumstances, the board of Fieldcrest Ireland decided that the company was not in a position to continue trading and a Receiver was appointed. In consequence of the appointment of a Receiver on March 10, the company ceased to be an associate.

Group results for the half year no longer include any share of the results of Fieldcrest Ireland.

The group's tobacco division, P. J. Carroll and Company, increased its market share by 1 per cent in the first half, but the delay in the introduction of the fiscal budget had the effect of maintaining volume sales in the domestic trade

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C $325	42	25 B	—	—	—	—	$327.50
GOLD C $350	40	13	—	—	—	—	"
GOLD C $375	35	7	14	15.50	—	—	"
GOLD C $400	43	4	63	9.50 B	—	—	"
GOLD P $300	52	6.50	a	11	—	—	"
GOLD P $325	96	14	9	18.50	—	—	"
GOLD P $350	32	29	22	33	—	—	"
GOLD P $375	7	46	7	49	—	—	"
13¾ NL 81 27-81							
C F.107.50	15	5.80	—	—	—	—	F.113.50
C F.110	60	4 B	—	—	—	—	"
C F.112.50	10	1.60	—	—	4	3.10	"
C F.115	—	—	4	1.70 A	3	a	"
C F.117.50	—	—	10	0.60	—	—	"
P F.115	6	2.50	—	—	—	—	"
10¾ NL 80 85-95							
C F.102.50	10	1	—	—	—	—	F.101.50
C F.105	—	—	10	1	—	—	"
P F.102.50	30	1.60	—	—	—	—	"
11¼ NL 82 88-92							
C F.105	350	0.80	—	—	—	—	F.104.20
10 NL 82 85-89							
C F.100	300	0.70	—	—	—	—	F.99.40
C F.102.50	3	0.30	—	—	—	—	"
	July		Oct.		Jan.		
ABN P F.280	5	1.30	20	3	—	—	F.294
AKZO C F.25	—	—	22	2.90	—	—	F.26.20
AKZO C F.27.50	10	0.80	30	1.50	20	3.50	"
AKZO C F.30	25	0.40	—	—	5	1.40	"
AKZO P F.25	50	0.50	—	—	—	—	"
AKZO P F.27.50	37	1.60 A	10	2.40	—	—	"
AKZO P F.30	25	3.80	10	4.20	—	—	"
AMRO C F.65	—	—	—	—	6	2.40	F.53.50
HEIN C F.60	25	3.20	—	—	—	—	F.61.10
HEIN C F.55	—	—	10	1.50	—	—	"
HEIN P F.60	10	2.40	—	—	—	—	"
HOOG P F.15	—	—	50	1	—	—	F.15.50
KLM C F.90	20	11.20	—	—	—	—	F.99.20
KLM C F.100	29	6.60	—	—	—	—	"
KLM C F.110	2	2.80	23	6.10	—	—	"
KLM C F.120	22	1.10	—	—	—	—	"
KLM P F.90	—	—	20	2.90	—	—	"
KLM P F.100	2	6.30	—	—	—	—	"
KLM P F.110	12	12.40	—	—	—	—	"
NEDL C F.120	9	3.30	10	8.30	—	—	F.118
NEDL C F.130	7	1	6	3.80	—	—	"
NEDL C F.140	—	—	2	1.90	—	—	"
NEDL P F.120	10	4.50	5	6	—	—	"
NEDL P F.130	6	12.50	—	—	—	—	"
NATN C F.120	—	—	—	—	7	2.50	F.117.60
PHIL C F.22.50	16	3.10 B	—	—	—	—	F.24.50
PHIL C F.25	89	0.50	58	1.30	14	1.70	"
PHIL C F.27.50	—	—	130	0.50	—	—	"
PHIL P F.22.50	34	0.30	—	—	—	—	"
RD C F.80	20	12 B	25	13.20	—	—	F.91.40
RD C F.90	206	4.10	67	5.70	9	6.40	"
RD C F.100	73	0.80	103	1.90	22	3.10	"
RD P F.80	—	—	26	1	26	1.50	"
RD P F.90	169	2.40	42	6.50	—	—	"
RD P F.100	—	—	20	10	10	10.50	"
UNIL C F.140	40	8.70	—	—	—	—	F.147.90
UNIL C F.150	7	3.20	—	—	—	—	"
UNIL C F.160	30	0.50	—	—	—	—	"
UNIL P F.140	23	1.30	10	2.40	—	—	"
UNIL P F.150	66	5	—	—	—	—	"
	Aug.		Nov.		Feb.		
SOEI P $20	10	1⅝	—	—	—	—	$18½
VW C DM.150	10	1.60	25	2.50	—	—	DM152.80

TOTAL VOLUME IN CONTRACTS: 3343

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	13 %	Robert Fraser	14 %
Allied Irish Bank	13 %	Grindlays Bank	‡13 %
American Express Bk.	13 %	■ Guinness Mahon	13 %
Amro Bank	13 %	■ Hambros Bank	13 %
Henry Ansbacher	13 %	Heritage & Gen. Trust	13 %
Arbuthnot Latham	13 %	■ Hill Samuel	§13 %
Associates Cap. Corp.	13 %	C. Hoare & Co.	†13 %
Banco de Bilbao	13 %	Hongkong & Shanghai	13 %
BCCI	13 %	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	13 %	Knowsley & Co. Ltd.	13½%
Bank Leumi (UK) plc	13 %	Lloyds Bank	13 %
Bank of Cyprus	13 %	Mallinhall Limited	13 %
Bank Street Sec. Ltd.	14 %	Edward Manson & Co.	14 %
Bank of N.S.W.	13 %	Midland Bank	13 %
Banque Belge Ltd.	13 %	■ Samuel Montagu	13 %
Banque du Rhone et de la Tamise S.A.	13½%	■ Morgan Grenfell	13 %
Barclays Bank	13 %	National Westminster	13 %
Beneficial Trust Ltd.	14 %	Norwich General Trust	13 %
Bremar Holdings Ltd.	14 %	P. S. Refson & Co.	13 %
Brit. Bank of Mid. East	13 %	Roxburghe Guarantee	13½%
■ Brown Shipley	13 %	E. S. Schwab	13 %
Canada Perm't Trust	13½%	Slavenburg's Bank	13 %
Castle Court Trust Ltd.	13½%	Standard Chartered	‖13 %
Cavendish G'ty T'st Ltd.	14 %	Trade Dev. Bank	13 %
Cayzer Ltd.	13 %	Trustee Savings Bank	13 %
Cedar Holdings	13 %	TCB Ltd.	13 %
■ Charterhouse Japhet	13 %	United Bank of Kuwait	13 %
Choulartons	13½%	Whiteaway Laidlaw	13½%
Citibank Savings	¶12¾%	Williams & Glyn's	13 %
Clydesdale Bank	13 %	Wintrust Secs. Ltd.	13 %
C. E. Coates	14 %	Yorkshire Bank	13 %
Comm Bk of Near East	13 %		
Consolidated Credits	13 %		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13 %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%. £10,000 up to £50,000 11%. £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
‖ 21 day deposits over £1,000 11¼%.
§ Demand deposits 10¼%.
¶ Mortgage base rate.

The three-year turn-round of Capel-Cure Myers

By Terry Garrett

ANDREW HUGH SMITH is about to celebrate a third anniversary. Three years ago this summer he moved up into the senior partner's office of stockbrokers Capel-Cure Myers. An eventful three years, for when he inherited the desk he was facing nne of the grimmest tasks of his career. His mnve was CCM's second major management change in as many years and staff morale was about as low as it could get.

An amalgam of several member firms, CCM was born in 1974—a product of a protracted bear market which fathered a spate of stockbroking mergers and, unhappily, a fair number of failures too.

Under the leadership of the aggressively minded Somerset Gibbs, Capel-Cure Carden had abortive talks with Vickers da Costa in the summer of 1974 before finally climbing into bed with Myers. Almost immediately Norris Oakley, and a small regional outfit, Morell Johnston, slipped into the bridal chamber—stockbroking is not a monogamous institution.

Combined tbe firms had £200m of funds under management, over 450 employees and 125 corporate clients. Needless to say the staff was reduced immediately to cut out duplication and some of the corporate clients moved on to nther firms. Neverthaless the mergers moved the component parts into the big-firm league.

One nf Somerset Gibbs' initial moves was to formulate a planning committee under Andrew Hugh Smith to develop a strategy for the enlarged firm. First task was to unify private clients and institutional dealing and pool resources. It was nothing unusual in those early days to see *one* fund manager selling a stock and another further down the room bnying it.

But the main hub of the strategy was expansion—institutinnal sales, private clients and corporate services. Going all out for growth in every directinn does not come across as a highly sophisticated plan. But at tbat time the private client was beginning to look as promising as the dodo. He was a spent force and everyone was out chasing after institutional money. Also the firm's traditional corporate role was to act as broker to small to medium sizad companies. The new plan was to go for large clients, ICI one week and BP the next. Needless to say it didn't bappen like that.

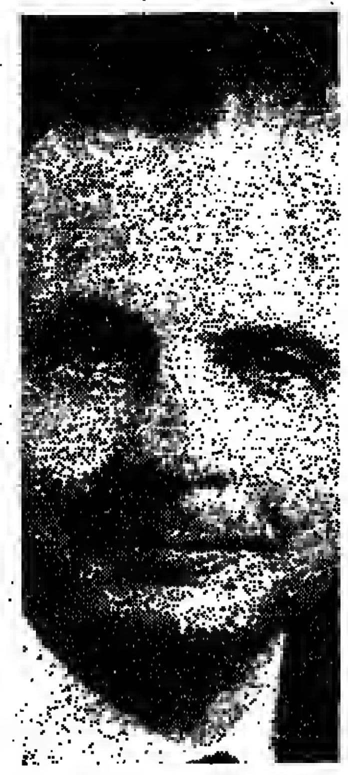
Somerset Gibb's approach to broking was bighly entrepreneorial. He bad built up Carden before it joined Capel-Cure. But stockbroking firms are not industrial companies with a pyramid management structure, they are more like hour glasses —a top line of executives on which the success of the firm resta and a bottom line of employees putting in the service back-up. There is very little in between. While a tight rein from the top may have worked in a smaller firm CCM had developed into an animal where such treatment caused resentment down the line.

The years tbat follnwed the 1974 mergers were dogged by internal tensions. In 1977 Sir David Hill-Wood, who bad headed Myers and was deputy to Gibbs in the enlarged group, left to join Guinness Mahon. Within weeks Mr Gibbs too anoounced his departure after a run of 15 years.

The helm passed to David Grenier who was immediately welcomed by the mass walkont of the gilts department, off to pastures new at Fielding Newson-Smith. The departure was no small blow. Up till then gilt dealing bad contributed about a fifth nf the firm's brokerage income. Though very different in style Mr Grenier appeared to bave a similar management philosophy to Mr Gibbs.

Less than two years later the hot potato was passed to Andrew Hugh Smith. The task ahead looked formidable.

One of his first priorities was to rebuild confidence throughont the firm. There bad been too much interference from tbe top in the past and Mr Hugh Smith's idea was to go forward aa a team rather than with a personality cult. So objectives were mapped out witb each department in an attempt to recreate a cohesive unit.



Andrew Hugh Smith

To a certain extent the original plan of 1974 was dusted down and whaeled nut. Mr Hugh Smith, not surprisingly as tha original architect, believes the strategy was always basically sound, the firm had run aground nn management style.

Within months Money Care was launched amid much ballyhoo to pull in more private client business. CCM had undertaken some rudimentary market research to try to plumb the *depths of the* great unadvised. Confirming all suspicions CCM found that there was a vast amount of capital sitting out there with people receiving no advica whatsoever. The problem was how to get at them.

For many people the image of the stockbroker was, at best, someone whn dealt with the super rich punting on the Stock Market. At worst, he was a natty-suited individual, just a little bit fly, who spent half his time listening to other conversations in the City bars in search of a bot tip.

CCM'a approach was to break down tha image of someone too big to bother about the small fry. A £100,000 national advertising campaign was launched at the public—an unprecedented move for a stockbroker and one greeted with much disdain in Throgmorton Street.

The message was that CCM could provide much more than a dealing service, and that no financial problem was too small to be considered. Investors with £7,500 could join a full portfolio management service, below that tbey could be provided with a unit trust selection service, and for under £3,000 the firm's nwn selection of unit trusts is on offer.

People were invited to write in or telephone. Other Stock Exchange members haughtily criticised Money Care as gimmickry and providing nothing more than any other leading broker should offer his client. Perhaps trua on the first count and certainly true on the second. But Money Care was innovative in its approach. The telephone never stopped ringing and letters poured in by the sackful. The campaign paid for itself in six months and, perhaps more impnrtantly for CCM, the launch of Mnney Care rebuilt the firm's confidence.

Eighteen months after the initial marketing ploy CCM repeated the formula with another £100,000 splashed out. The second round had almost as many eyebrowa twitching as tha first CCM were crying all the way to the bank.

Before Money Care CCM had 4,50 active private clients with around £300m nf funds under management. It set itself a target of 3,000 more clients and £150m of extra funds within five years. Tbose objectives have been reached in balf the time.

But now there is a considerable rethink going on. Money Care bas been a successful campaign but perhaps its life is ending.

The failure of some financial advisors, such as Norton Warburg, has lead CCM to think that the next advertising campaign—and they are obviously convinced of the merits of advertising—sbould highlight Capal-Cure Myers a "leading stockbroking firm."

If that sounds like a U-turn it is. CCM wants to push the image of respectable City members backed up by the Stock Exchange's compensation fund offering total security. Security is what they think the pnblic will be looking for now.

While Money Care has grabbed the attention since Mr Hugh Smith took over, the other "strategic" objectives have not been pushed into the background.

The gilts department has been rebuilt but tha research side still needs a lot of development. The firm's analytical work covers around balf the Stock Market in terms of value but apart from its general economic commentary it is only in retailing that it has got itself up among tha leaders. And that was achieved by sheer weigbt of numbers.

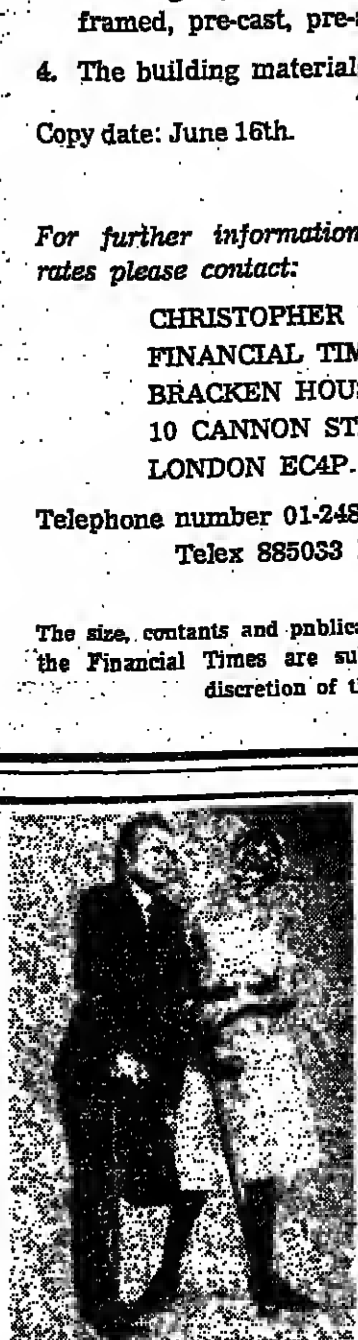
The firm is hoping that its food manufacturing research too, will ba up there soon while it is beavering away to spread its coverage into engineering, insurance, electricals and mining finance.

There ara also two analysts with a small companies brief. Largely this means keeping track of the stocks where CCM acts as broker — 77 of them in all — which are not covered by one of the other 17 analysts.

The small business coverage is a spin off from CCM's activity in the corporate finance field. Since the war the firm *has had a* reputation for bringing along small companies to the Stock Exchange. And apart from the brief non-event of the 1970s where the corporate boys had to try to pull in tbe big companies, it is a formula that the firm has stuck to.

CCM's most obvious success in the last three years has been the flood of private client business that Money Care has attracted. Half the firm's income now comes from fund management. But it is atill early days and the ultimate success of Money Care can only be measured by how many private clients stay with the firm. And that will depend on CCM's investment perfnrmance.

There is *still* a way to go with institutional research and the corporate side can never be too busy. But at least the long faces of tbe late 1970s have disappeared. Whatever shape broking takes in the future, wbether firms will stay independent or be part of larger financial empires, Mr Hugh Smith has one ambition — to be there. Ha now thinks CCM can do it.



APPOINTMENTS

Managing director of Paterson Zochonis

Mr Basil Spoudeas, managing director of PATERSON ZOCHONIS since 1970, retires at the end of May. He will be succeeded by Mr George Lonpos, who became a director in 1970. Mr Spoudeas joined Paterson Zochonis in 1937 in West Africa and transferred to head office in Manchester in 1946.

*

Mr R. A. Pedder has been appointed chief executive of HALFORDS GROUP, part of Burmah Oil from June 14. In 1973 he was appointed assistant managing director of Burton Menswear and in 1978 he became managing director of Dodge City, managing this company until its sale in 1981.

*

Mr Michel Fox has been appointed to the new position of operations director of ARTHUR SANDERSON AND SONS. Mr Fox has moved to Sanderson from Twyfords Bathrooms—another company within Reed International's building and home improvements group—where he was engineering products director.

*

GENERAL ACCIDENT FIRE & LIFE ASSURANCE CORPORATION has made the following appointments from June 1: Mr James P. Mahon, secretary, becomes an assistant general manager. Mr Leslie W. Mansfield, secretary (designate), becomes secretary.

*

THE INDEPENDENT BROADCASTING AUTHORITY is appointing Mr Peter Rogers as director of finance in succession to Mr Roy Downham who retires in October. Mr Rogers is deputy chief executive (administration) of the Housing Corporation, a post he has held since joining the corporation in 1979.

*

Mr Howard Whitehouse, a director of his family firm Whitehouse Bros. (Fuels), has been named president for 1982/83 by the COAL MERCHANTS' FEDERATION of Great Britain. Other appointments were: senior vice-president: Mr K. R. Chivers and junior vice-president: Mr L. S. Moore.

*

Mr John Hardy, chairman and managing director of Squirrel Horn, has been elected president of the COCOA, CHOCOLATE and CONFECTIONERY ALLIANCE. He succeeds Mr Robert Wadsworth who, having completed his three-year term of offices, becomes vice-president.

*

Mr A. J. Curtis, chairman of JOSEPH CROSFIELD & SONS, will be retiring at the end of June. He will be succeeded by Dr A. Edelman, currently head of Unilever's central engineering division. On graduating from Delft University, Dr Edelman joined Unilever Research in the Netherlands and later became technical manager of the Philippine Refining Company. He moved to Unilever engineering division, London in 1975 and was appointed engineer-in-chief for the concern in 1977. Joseph Crosfield & Sons is a Unilever company.

*

CABLE AND WIRELESS has appointed two executive directors: Mr Douglas Buck who becomes director, personnel and corporate services, and Mr Brian Pemberton, who becomes director, Far East. Mr Buck was head of the personnel division and regional director responsible for the group's activities in Africa. Mr Pemberton, managing director of Cable and Wireless (Hong Kong) retains this position and will continue to be based in Hong Kong. His area of responsibility will include the People's Republic of China and the Pacific and he will represent Cable and Wireless on the board of its subsidiary company in Macau, Companhia de Telecomunicacoes de Macau.

*

DATA RECORDING INSTRUMENT, a wholly-owned subsidiary of the British Technology Group, has merged two principal operating companies, Data Recording Equipment, and Newbury Laboratories. The new company has been named Newbury Data Recording, based in Staines. There are two new board appointments: Mr Rod Saar, previously director and general manager of Newbury Laboratories, becomes marketing director, and Mr Tony Alcock of DRE is appointed financial director of Newbury Data Recording. Mr Brian Shatwell, previously DRE's development manager is appointed technical director (designate). Mr John M. Armstrong, managing director of the DRI Group, becomes managing director also of the new company.

*

The parent company of Crabtree Electrical Industries, British Ever Ready, was acquired by Hanson Trust at the end of December 1981. Hanson Trust is re-organising its divisional structure. As part of this re-organisation, Marbourn becomes part of the Crabtree Group and Crabtree becomes a member of the Lindustries Division of Hanson Trust. In turn, Mr Jeremy Marshall, chief executive of Lindustries, is appointed chairman of CRABTREE ELECTRICAL INDUSTRIES. Crabtree and Marbourn will continue to trade as separate businesses, with Mr Brian Barham, managing director of Crabtree, now having the additional management responsibility for Marbourn. Mr A. R. Cotton, an associate director of Hanson Trust will also be joining the board of Crabtree.

*

The following board appointments have been made in HAWKER SIDDELEY companies:—Mr D. J. Allen to the board of Westinghouse Brake and Signal Co. (Australia) Pty; Mr R. C. Ballantyne, Mr B. M. Bonfield and Mr A. R. Creswick to the board of Hawker Siddeley Electric; Mr G. Davidson to the board of Hawker Siddeley Switchgear Pty; Mr T. D. Davies as director of Hawker Siddeley Marine; Mr G. W. Gersbach as finance director of R. A. Lister Australia Pty; Mr R. E. Gibbons as managing director of Brush Fusegear; Mr D. Glyde as technical director of Westinghouse Signals, Westinghouse Brake and Signal Co; Mr H. R. Grant managing director, Westinghouse Brake and Signal Co (Australia) Pty, has been appointed to the board of Hawker Siddeley Switchgear Pty; Mr D. R. Spiers to the board of Hawker Siddeley Rail Projects; Mr D. A. Stack as managing director of Partridge Wilson and Co, and Mr D. G. Wilson to the board of Fasco Indutries Inc.

*

SEALINK UK, has appointed Mr Ray Collard, previously deputy trac manager, Irish and Isle of Wight services, as deputy traffic manager, Continental and Channel Islands services.

*

Mr Gordon Gaddes, director, information services marketing and resources of the British Standards Institution, has been appointed director-general of BEAMA to succeed Mr Kenneth Edwards who recently became a deputy director-general at the CBI. Mr Gaddes takes up his appointment on July 1.

*

Mr Bernard Lyons has decided to retire as chairman of UDS GROUP on December 31. The board has appointed Sir Robert Clark as deputy chairman with a view to succeeding Mr Lyons.

*

The CENTRAL ELECTRICITY GENERATING BOARD has appointed Mr Michael Pickering to the new post of director of information and public affairs at its London headquarters, from September. He is at present with British Airways as public relations co-ordinator (commercial) at Heathrow. Mr Peter Taylor, the director of information, will continue in his present post until Mr Pickering joins the board, when Mr Taylor will assist in setting up the new department.

*

TI DESFORD TUBES, Kirby Muxloe, has appointed Mr John Bostock as production services director and Mr John Meredith as technical services director.

*

Mr Bob Brown, has been appointed director of marketing for WALES GAS. He came to Wales from East Midlands Gas five years ago.

*

ASSOCIATED CO-OPERATIVE CREAMERIES has appointed Mr Trevor Hughes as general manager.

*

Mr Anthony W. Jukes has been appointed senior vice president in charge of the new European, African and the Middle Eastern region of the international divisinn of MANUFACTURERS HANOVER LEASING CORP. Mr Robert G. Chris has been appointed managing director of Manufacturers Hanover Industrial Finance, UK subsidiary of Manufacturers Hanover Leasing Corp. He was finance director.

*

Mr A. T. (Tim) Fisher has been appointed to manage the newly-created London Branch Office of ABV TRADING of Stockholm. He was formerly the managing director of J. H. Little & Co members of the Inchcape Group.

*

The STEWART NAIRN GROUP has appointed Mr C. Giles Clarke as managing director.

*

ALCAN ALUMINIUM (UK) has appointed Mr R. Wagner to the board. He is chairman of the management board of Alcan Aluminiumwerke, Frankfurt.

*

Mrs Liliana Archibald and Mr S. M. Yassukovich have been appointed members of THE BRITISH EXPORT-FINANCE ADVISORY COUNCIL. Mrs Archibald is international affairs adviser to Lloyd's. Mr Yassukovich is managing director of the European Banking Company. Sir John Barraclough and Mr A. F. Frodsham have been elected vice-chairmen.

*

ALLISONS, a subsidiary of W. Williams and Sons (Holdings), of Pocklington, has made the following board changes. Mr W. W. Rhodes is appointed managing director. Mr A. N. R. Rudd, a director of Williams, will become chairman and Mr C. Phillips and Mr B. McGowan, who are joint managing directors of Williams, will also join the Allisons board. Mr Geoffrey Allison, until recently chairman of Allisons, will continue as an executive director.

*

Mr Ian Stagg has been appointed technical director of VACUUM GENERATORS from May 1.

*

Mr M. F. Baird, who joined C. T. BOWRING (UNDERWRITING AGENCIES) on April 1, has succeeded Mr R. H. Jones as underwriter for Syndicate No. 31.

*

Sir Nigel Foulkes has joined the board of EQUITY CAPITAL FOR INDUSTRY as vice-chairman and will succeed Lord Plowden as chairman at the end of the year. He was chairman of the British Airports Authority, and, until recently, of the Civil Aviation Authority. He is also a non-executive director of The Charterhouse Group and of the Bekaert Group in Belgium. Mr John L. Read has resigned from the board of ECI, having served as a non-executive director since 1977.

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Support for Rotterdam grain strike falters

BY WALTER ELLIS IN LUXEMBOURG

SUPPLIES OF grain and other basic foodstuffs to Europe held up by the continuing strike of dockers in Rotterdam harbour are beginning to get through by way of Belgium and West Germany. The previous solidarity of workers in Hamburg, Ghent, Antwerp and other ports appears to have been broken.

The strike itself, involving some 1,000 grain handlers—most employed by Graan Elevator Maatschappij (GEM) is now well into its second week and is no nearer a solution.

Yesterday, Mr Wim Kok, chairman of FNV, the Netherlands' largest trade union, told the strikers that they had full union support and should hold out for a honourable settlement. The men have indicated that they could accept the management's wage offer but are demanding longer holidays and shorter hours.

Amsterdam said yesterday that A U.S. wheat analyst based in there were some grain shortage in West Germany's Rhine area but that "no one is screaming."

A total of 15 ships, most of them loaded with cereals and rice, are at present stranded in Rotterdam, and several more are waiting to come in. Now that Belgian and German workers have demonstrated an unwillingness to continue blacking action of ships bound for Rotterdam, it is thought likely that at least some of the affected vessels will embark for other ports, most probably Antwerp and Ghent.

Imports of ore and other raw materials continues meanwhile to be held up by a related strike in Rotterdam. Some 1,000 unloaders employed by Frans Swarttouw and Emo, have been refusing work since May 4, causing local shortages and obliging importers to look elsewhere for bulk supplies.

Our Commodities Staff writes: The UK grain crop will reach a new record this year unless yields fall significantly below recent levels, figures published by the Home-Grown Cereals Authority indicate.

Following a planting survey, the HGCA has estimated total cereals plantings this year in England and Wales at 3.4m hectares, nearly 1 per cent higher than in 1981.

If last year's above-average yields were repeated this would result in a wheat, barley and oats harvest of 19.72m tonnes, beating the 1981 record of 19.35m, the Authority calculated. But these were exceptionally good years and the 1977-81 average would yield only 18.98m tonnes, the HGCA pointed out.

A continuation of the yield trend over the past five years would result in a 20.35m-tonnes crop, it added.

Within the plantings total the wheat area was estimated 10 per cent higher than last year's at 1.6m hectares. Winter plantings accounted for 98 per cent of the 1982 wheat total. Almost half the indicated barley area was also winter planted and the total was 6 per cent down at 1.7m hectares. Estimated oats area was 93,100 hectares, down 7 per cent.

Rise urged in wool floor price

CANBERRA—The Wool Council of Australia said it has recommended a 12 per cent rise in the 1982/83 season floor price to 422 cents a kilo clean from 410c.

The recommendation was given yesterday to Primary Industry Minister Peter Nixon who will set the new floor price when the current season ends in June.

The Australian Wool Corporation's market indicator price closed last week at 422c a kilo.

Meanwhile the market for merino fleece of 21-24 microns was up to 2 per cent dearer, 20 microns were up to 1 per cent dearer and finer fleece and all merino skirtings were unchanged compared with last week's sales.

Reuter

Schools to sell flavoured milk

By Our Commodities Staff

BRITISH schoolchildren will soon be able to buy flavoured semi-skimmed milk at subsidised prices under an EEC scheme.

In a written answer to a Parliamentary question Mr Peter Walker told the House of Commons yesterday that, following consultations with the EEC Commission, flavoured milk would be made available to British schools from June 1. He said he hoped local education authorities would take full advantage of the scheme, especially as the Community subsidy had been increased by 24 per cent and the national contribution halved to 12½ per cent.

The new subsidy rates on dairy products available to schools are: 10.82p a pint for whole milk and whole milk yogurt; 6.3p a pint for semi-skimmed milk and semi-skimmed milk yogurt; 2.7p a pint for skimmed milk yogurt; 38.09p a lb for processed cheese; and 54.63p a lb for natural cheese.

Last year 104 British local education authorities out of 122 participated in the scheme and another 14 are expected to join during the current year. In 1980/81, the latest year

PHILIPPINES SUGAR

Exports dealt further blows

BY EMILY TAGAZA IN MANILA

THE PHILIPPINE sugar industry, already troubled by plummeting world market prices, is suffering further blows from the newly-imposed import quotas in the U.S. and in the newly-imposed import, from the recent decision of the International Sugar Organisation (ISO) to freeze basic export tonnages to 1982 levels.

Local producers' morale is at a low ebb and as a result many sugar estates are switching to other more profitable crops. Planters and millers, especially those in the Negros region, who account for over 60 per cent of the country's sugar production, expect zero-growth in this year's cane production.

President Ronald Reagan's decision to impose import quotas means that in May-June the Philippines will only be allowed to export to the U.S. 29,700 tonnes or 13.5 per cent of the total. Its whole-year quota is expected to be 180,000 tonnes.

This is a far cry from the average exports to the U.S. of about 550,000 tonnes from 1975 to 1980. Last year, however, exports to the U.S. reached only 189,000 tonnes. The Philippines hoped to increase this considerably, but the move has now been stymied by the qootas.

But what makes the Philippine's sugar outlook even grimmer is the continuing decline in cane production. Government officials admit that even if the U.S. did not impose quotas, and even if the ISO's export tonnages were raised, the Philippines would not be able to sell more because output has been declining anyway. If the downward trend in output continues, the reduced exports will have a staggering effect on the balance of payments since sugar has traditionally been the Philippines' top dollar earner.

Philippine sugar production has been declining during the past five years, interrupted only last year by a tiny 2 per cent increase in output — to 2.31m from 1980's 2.26m tonnes.

At the root of the country's productivity problem are the pricing and marketing policies of the National Sugar Trading Corporation (Nasutra). Many producers have been deliberately keeping production down (or constant, at the most) because they claim that the government's pricing policies are "curtailing the planters' initiative to produce more sugar." They said that even if they raise their productivity, the price paid them by Nasutra does not assure reasonable profits.

Producers are required to sell all their raw sugar to Nasutra at prices based on the "composite price" of sugar, derived from the weighted prices of domestic and export sugar. The policy is for Nasutra to split the total sugar output to 60 per cent export and 40 per cent domestic use.

The domestic price is fixed by Philsucom, the Philippine Sugar Commission, and has generally been lower than the export price. After strong protests from producers, it was recently increased from 110 pesos a picul (0.10 cents a pound) to 165 pesos a picul (0.14 cents a pound). Planters have long been lobbying that domestic sugar be freed from control and let it seek its own level.

The export price depends on the world market movements, but planters have raised questions about some of the items that Nasutra subtracts from their final share. They are critical of Nasutra's cost efficiency as a trading company. A Negros planter said that his group recently discovered that in late 1979, Nasutra sold almost 1m tonnes of old stocks at 10.53 cents a pound when the average price during the period was 21 cents a pound.

The Prime Minister, Mr Virata, admitted that some producers are losing because the average (composite) price they receive for their sugar is 145 pesos a picul (or 13 cents a pound) while production cost has gone up to an average of 14 cents a pound.

Meanwhile, Nasutra is maintaining a tightlipped face, saying that most of the information demanded by the producers are trade secrets. If divulged, they would jeopardise its trading position in the international market. Nasutra has said that many producers have been reporting much higher production costs than the actual figures to force the government to raise prices. "The trouble with many planters is that they are unwilling to accept lower profits. As it is, they are still at a profit position," the spokesman said.

There is one area where Nasutra has given the industry a protective coat and that is through the long-term contracts it entered into with foreign buyers in mid-1980. It committed half of the country's export crop from 1981 to 1984 at an average price of 23.5 cents a pound. The move, made at a time when the World price was 35 cents, raised a furore among planters. Today, with prices at less than 10 cents a pound, planters are protected until 1984 and can therefore plan future investments with some certainty.

While both the private producers and Philsucom try to come to terms with the problem of productivity, the Philippines keeps on missing its chances of increasing exports under the International Sugar Agreement (ISA). Last year, its minimum export quota under the ISA was 1.48m tonnes, but only 1.23m were available for export. It seems certain that for the second time this year, the Philippines will again fall short of its ISA quota.

Rare cattle breeding scheme

By Our Commodities Staff

THE SHETLAND Islands Council has granted £19,000 to finance a 10-year scheme aimed at preserving the Shetland cattle breed in its pure form on its home islands. The scheme will be administered by the Rare Breeds Survival Trust.

The Shetland breed, believed to be of Scandinavian origin, is one of six cattle breeds classified as rare and endangered by the trust.

Under the scheme islands' breeders will be offered £100 for every Shetland cow and £500 for every Shetland bull kept on the islands and bred pure. The trust will supply Shetland semen free of charge for approved uses, and, in certain circumstances, will buy pure-bred heifers, which would remain on the islands. It will also continue to publish the Shetland herd book.

Nickel talks break down

BY JOHN EDWARDS, COMMODITIES EDITOR

TALKS between International Nickel and the unions on the terms of new labour contracts broke down yesterday Reuter reported from Ontario. The union said it will recommend that its 10,000 members reject the company's latest offer to be considered at a meeting on Friday, which would prepare the way for a strike to be called when the existing labour contracts expire on May 31.

The Sudbury complex normally provides some 70 per cent of Inco's total nickel sales and is also an important producer of copper and platinum as by-products.

However, the company has accumulated considerable stocks, especially of nickel, because of the present poor demand for metals, so it could continue to maintain supplies for some time. At the same time other nickel producers have ample stocks available.

Nevertheless nickel futures rose on the London Metal Exchange yesterday, with the cash price closing £65 up at £2,967.5 a tonne.

Other metals were marginally easier, although a firmer trend was evident in late trading following news of cuts in U.S. prime interest rates. But tin was under pressure and the cash price closed £95 down at £6,865 a tonne—its lowest level since March this year.

The market was nervous awaiting the outcome of the International Tin Council meeting in London yesterday, which was considering a proposal for a further increase in the buffer stock's buying capacity by borrowing more money. It is known that some consumer countries, notably the UK, would prefer a cut in the Agreement's price range to a more "realistic" level, while others want greater export curbs. The talks were still continuing yesterday evening

Banana fungus threatens Jamaica

BY CANUTE JAMES IN KINGSTON

BANANA producers in Jamaica and the Windward Islands are gearing to do battle with the deadly black sigatoka fungus which has been marching northward and eastward from Latin America.

Growers here say the presence of the disease in the island is inevitable, and that they expect the Caribbean banana industry, which exports all its fruit to Great Britain, to be severely affected.

The fungus is now in Martinique, and we expect it soon to hit the Windward Islands, the Jamaican Agriculture Ministry said. "We are monitoring its spread and we are in touch with the authorities in the Windward Islands. But we expect that their industry will be hit and ours shortly afterwards. It promises an economic disaster."

The fact that the disease is in Martinique means that the islands between Jamaica and Martinique would be a stepping stone for it to spread to this country.

Black sigatoka has already cut a deadly swathe through several Latin American countries, affecting an area which accounts for over 75 per cent of the world's banana trade.

The disease was discovered in Fiji in 1964, and attacked banana farms in Honduros in 1969. It then went on a rampage through Belize, Guatemala, Costa Rica, Nicaraguo, El Salvador, Mexico, Panama and the Atlantic coost of Colombia.

Fighting black sigatoka is hard and expensive. The fungus attacks the leaves of the banana plants, but unlike its less virulent cousin, brown sigatoka, it quickly leads to the death of the plant.

There is now general agreement within the banana trade that the disease can best be fought off not with chemicals, but by developing new, resistant strains of bananas. The fungus quickly develops immunity to chemicals which have been applied.

If the fungus does reach the Windward Islands and Jamaica, it would deal a crippling blow to the island's export trade, and could destroy the industry completely in Jamaica.

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices were mixed on the London Metal Exchange. Once again Nickel showed the greatest strength on the back of reports that Inco's labour negotiations had broken down, and closed at the day's high of £2,967. Lead at £325 and Aluminium at £551.5 both improved a little, but Copper closed barely changed at £845 and Zinc was finally £415.5. Tin fell to £7,005 before influential buying late in the day brought about a recovery to £7,045 by the close.

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −
HighGrde	£	£	£	£
Cash	810-1	−11.75	813.5-4.5	−1.75
3 months	840.5-1	−11	842.5-4	−1.75
Settlem't	811	−11.5		
Cathodes				
Cash	801.5-2.5	−11.5	805.5-7.5	+1.75
3 months	831.5-3	−11.5	836-7	−1.25
Settlem't	802.5	−11.5		
U.S. Prod.			*78.31	

Amalgamated Metal Trading reported that in the morning high grade copper traded at £810.50, three months £842.00, 41.50, 41.00, 43.50, 40.00, 40.50. Cathodes: Three months £832.00. Kerb: Higher Grade: three months £841.50, 42.00, 41.00, 41.50. Afternoon: Higher grade, three months £847.00, 46.00, 47.50, 49.00, 46.50, 46.00, 45.00, 44.50, 44.00, 43.50, 43.00, 43.50. Cathodes: Three months £835.0, 36.00. Kerb: Higher Grade, three months £845.00, 45.50, 45.00. Turnover: 30,225 tonnes.

Tin—Morning: Standard, cash £6,900, three months £7,050, 60, 53, 55. Kerb: Standard, three months £7,035, 20, 30, 10. Afternoon: Standard, three months £7,020, 10, 7,000, 05, 20, 30, 25, 20.

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −
High Grade	£	£	£	£
Cash	6895-900	−100	6860-70	−95
3 months	7050-5	−5.75	7015-20	−71.5
Settlem't	6900	−18		
Standard				
Cash	6845-900	−100	6860-70	−95
3 months	7050-5	−5	7015-20	−77.5
Settlem't	6900	−10		
Straits E.	$[illegible]			
NewYork				

Tin—Morning: Standard, cash 10, 13, 20. Kerb: Standard, three months £7,020, 30, 40, 45. Turnover: 2,655 tonnes.

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	326-.5	+2.5	310.5-.75	[illegible]
3 months	331.5-2.5	[illegible]	325-.5	[illegible]
Settlem't	326.5			
U.S. Spot			*27-30	

Lead—Morning: Cash £306.00, 09.00, 10.50. Three months £321.00, 20.00, 19.50, 20.00, 20.50, 21.0, 22.00, 23.00, 23.50, 23.00, 22.50, 22.00. Kerb: Three months £321.00. Afternoon: Cash £310.50. Three months £322.00, 22.00, 22.50, 22.00, 23.00. Kerb: Three months £325.00, 25.00, 25.50, 25.00, 24.50, 25.00, 24.00, 24.50. Turnover: 11,050 tonnes.

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Cash	407-8	−2.75	410.5-1.5	−3
3 months	413-4	−2.5	416-.5	−1.5
S'ment	408	−2.5		
Primw'ts			*35-37.75	

Zinc—Morning: Cash £408.00. Three months £416.00, 15.50, 15.00, 14.50, 14.00. Kerb: Three months £414.00, 13.50, 13.00. Kerb: Three months £416.50, 16.00, 16.50, 15.00. Afternoon: Three months £416.00, 17.00, 16.00. Turnover: 11,800 tonnes.

Aluminm	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	536-.5	−2.25	529-.50	+2
3 months	549.5-50	−2.25	557-.5	+4.25

Aluminium—Morning: Cash £536.00. Three months £549.00, 49.50. Afternoon: Cash £530.00. Three months £550.00, 50.50, 51.00. Kerb: Three months £552.00. Turnover: 14,076 tonnes.

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −
	£	£	£	£
Spot	2920-30	+42.5	2965-70	+65
3 months	2990-5	+40	3030-35	+65

Nickel — Morning: Three months £3,000, 2,990, 85, 80, 85, 95, 90. Kerb: Three months £2,990. Afternoon: Three months £3,040, 30, 25, 20, 15, 20, 25, 15, 20, 25, 30, 35, 30, 35. Kerb: Three months £3,040. Turnover: 1,044 tonnes.

* Cents per pound. † $M per kilo. ‡ On previous unofficial close.

GAS OIL FUTURES

Weaker prices reflected an easier physical market for technical selling. Trading on both physical and futures markets remained quiet, reports Premier Man.

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
May	312.00	−1.00	314.00-11.00
June	299.25	−3.75	301.75-97.50
July	295.25	[illegible]	[illegible]
August	295.75	[illegible]	[illegible]
Sept	297.00	[illegible]	[illegible]
Oct	297.00	[illegible]	[illegible]
Nov	300.50	[illegible]	[illegible]
Dec	303.50	[illegible]	[illegible]
Jan	304.50	[illegible]	[illegible]

Turnover: 1,579 (2,130) lots of 100 tonnes.

SILVER

Silver was fixed 4.2p an ounce lower for spot delivery in the London bullion market yesterday at 356.95p. U.S. cent equivalents of the fixing levels were: spot 646.8c, down 6.3c; three-month 671.8c, down 8.6c; six-month 695.8c, down 8.9c; and 12-month 744c, down 9.7c. The metal opened at 359-362p (646-652c) and closed at 361-364p (652-656c).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	356.95p	−4.20	362.25p	−0.5
3 months	370.65p	−4.75	374.25p	−0.2
6 months	383.75p	−4.90		
12months	407.90p	−5.20		

LME—Turnover 88 (67) lots of 10,000 ozs. Morning: three months 371.0, 70.5, 71.0, 71.5, 71.8. Kerb: nil. Afternoon: three months 374.0, 75.0, 74.5. Kerb: three months 374.50.

COCOA

Futures drifted lower on stronger sterling in thin conditions to trade at new lows. Commission house short-covering during late dealings pared the earlier losses, reports Gill and Duffus.

COCOA	Yest'day's Close	+ or −	Business Done
May	897-98	+1.0	894-90
July	924-25	[illegible]	925-15
Sept	951-52	−2.0	958-43
Dec	993-94	−1.5	994-83
March	1027-28	+4.0	1028-94
May	1049-55	+4.5	1050-53
July	1070-71	+3.5	1070-54

Sales: 1,945 (2,456) lots of 10 tonnes. ICCO Indicator price for May 24: 74.98 (76.14). Indicator price for May 25: 75.68 (76.27).

COFFEE

Trade buying helped sustain a firmer trend after an unchanged opening, reports Drexel Burnham Lambert. Recent resistance levels were breached in light volume and further gains were posted following a steady New York performance.

COFFEE	Yesterday's Close	+ or −	Business Done
	£ per tonne		
May	1190-25	+31.5	1205-55
July	1158-59	+11.5	1057-47
Sept	1106-00	+15.5	1115-90
Nov	1083-85	+10.0	1086-71
January	1073-75	+9.0	1076-62
March	1059-65	+4.5	1050-45
May	1042-60	+5.5	1049

Sales: 3,671 (2,893) lots of 5 tonnes. ICO Indicator prices for May 21: (U.S. cents per pound): Comp. daily 1979 116.82 (116.34); 15-day average 120.72 (121.21).

Australian cents per kg. July 546.5, 549.0, 549.0, Oct 526.0, 526.5, 527.0-526.5; Dec 531.5, 532.0, 532.0-531.0; March 537.0, 536.0, 536.0-535.5; May 539.5, 540.0, 543.0-539.0; July 544.5, 548.0, 545.5; Oct 543.5, 545.5, 544.5, untraded. Sales: 58.

GRAINS

The market opened slightly lower to unchanged and was very quiet, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or −	Yest'rd'ys close	+ or −
July	133.40	−0.55	—	
Sept	102.25	−0.25	104.50	−0.45
Nov	110.60	−0.20	108.35	−0.25
Jan	114.50	−0.20	112.30	−0.20
Mar	118.55	[illegible]	116.55	[illegible]

Business done—Wheat: July 122.65-122.15, Sept 103.15-103.25, Nov 113.00-112.60, Jan 116.85-116.75, Mar 120.65 only. Sales: 185 lots of 100 tonnes. Barley: Sept 104.65-104.50, Nov 108.35-108.25, Jan 112.30-112.15, Mar 115.95 only. Sales: 177 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent May 111.25, June 109.75, Aug 109, Sept 109.50 transhipment East Coast. English Feed fob May 122, Sept 113, Oct 115, Nov 117 East Coast. Maize: French first half June 135 transhipment East Coast. S. African White/Yellow June/July 85.00. Barley: English Feed fob June 115.50 Glasgow, Sept 108.25 Oct/Dec 112.50 East Coast. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: S. East 124.00. Feed barley: S. East 112.00, S. West 113.00, W. Mids 111.00, N. West 114.00. The UK Monetary Coefficient for the week beginning May 31 (based on HGCA calculations using four days exchange rates) is expected to change to 0.941.

RUBBER

The London physical market opened slightly easier, attracted virtually no interest throughout the day and closed quiet. Lewis and Peat recorded a June fob price for No. 1 RSS in Kuala Lumpur of 259.5 (same) cents a kg and SMR 20 177.0 (177.5).

No. 1 R.S.S.	Yest'r's close	Previous close	Business Done
July	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
Jan-Mar	[illegible]	[illegible]	[illegible]
Apr-Jne	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
J'n-Mch	[illegible]	[illegible]	[illegible]

Sales: 65 (122) lots of 15 tonnes. 11 (nil) lots of 5 tonnes. Physical closing prices (buyers) were: Spot 53.50p (54.00p); July 52.50p (same); Aug 53.25p (53.50p).

POTATOES

LONDON POTATO FUTURES—The market recovered previous day's losses on thin volume, reports Coley and Harper. Nov 64.50, +1.00 (high 64.80, low 63.50); Feb 73.60, +1.00 (high 73.00, low 72.00); April 86.60, +1.80 (high 85.40, low 84.00); May 95.00, +1.70 (high 95.00, low 93.00). Turnover: 162 (385) lots of 40 tonnes.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. May 382, 388, nil; Aug 384, 388, 388-385; Oct 390, 391, 390-389; Dec 404, 405, 404; Jan 406, 407, 406; Mar 416, 416, 416; May 423, 425, 424; Aug 426, 431, nil; Oct 426, 431, nil. Sales: 22.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business).

SOYABEAN MEAL

The market opened easier on long liquidation, reports T. G. Roddick, and remained defensive.

	Yesterdays Close	+ or −	Business Done
	£ per tonne		
June	132.70-33.0	−1.30	134.70-33.70
August	132.50-32.6	−1.45	133.70-32.60
October	131.60-31.9	−1.75	132.50-32.00
Dec	137.00-37.5	−1.25	137.60
Feb	139.00-40.0	−1.10	—
April	140.00-41.0	−0.25	—

Sales: 122 (104) lots of 100 tonnes.

SOYABEAN OIL—The market opened $2.00 lower and drifted on weaker cash soyabean oil before trade buying steadied prices. Closing prices and business done (U.S. $ per tonne): June 527.0-532.0, untraded; Aug 525.5-29.5, 527.50-5.00; Oct 528.00-29.50, 529.50-7.50; Dec 533.00-35.00, 534.0, untraded; Feb 533.00-34.50, 534.50 only; April 538.00-40.00 untraded. Turnover: 66 (113) lots of 25 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £110.00 (same) a tonne cif May-June-July shipment. White sugar daily price £142.00 (same).

Prices drifted after a quiet opening but rallied following improved New York quotations, reports C. Czarnikow.

No. 4 Contract	Yesterday close	Previous close	Business done
	£ per tonne		
Aug	118.60-18.65	110.05-10.20	118.75-17.05
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

Sales: 2,072 (1,967) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis white sugar was £374.00 (same) a tonne fob for home trade and £215.50 (same) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean ports). Prices for May 24: Daily price 7.89 (7.79); 15-day average 8.12 (8.16).

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 81.3 to 87.0; Ulster hindquarters 101.0 to 103.0, forequarters 58.5 to 60.0. Veal: Dutch hinds and ends 118.0 to 124.0. Lamb: English small 76.7 to 84.0, medium 76.0 to 82.0, heavy 72.0 to 76.0; Imported—New Zealand PL 62.8 to 64.3, PM 62.5 to 63.0, PX 61.5 to 63.0, YL 60.0 to 61.2. Pork: English, under 100 lb 39.0 to 55.0, 100-120 lb 48.0 to 54.0, 120-160 lb 42.0 to 51.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 100.13p per kg lw (−1.52). GB—Sheep 172.09p per kg est dcw (−4.95). GB—Pigs 73.09p per kg lw (−1.98).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated: Imported Produce: Oranges—Cyprus: 15 kg Valencia Lates 3.20-5.00; Jaffa: 20 kg Valencia Lates 56 6.25, 60 6.25, 75 6.25, 88 5.59, 105 5.50, 123 4.85, 144 4.50, 168 4.50; Moroccan: 15 kg Valencia Lates 48/113 3.80-7.00; Spania: Valencia Lates 6.00-6.40; Outspan: Navels 56 5.10, 72 4.30, 88 4.20, 128 3.45. Lemons—Spania: Trays 5 kg 40/50 1.40-1.80; Jaffa: 16 kg 80/120 4.00-5.00; Outspan: 10½ kg 80/180 4.50-5.40. Grapefruit—U.S.: 15/17 kg Florida Ruby 8.50. Cyprus: Small cartons 17 kg 3.20-3.60; Jaffa: 20 kg 27 4.25, 32 4.40, 36 4.45, 40 4.60, 48 4.95, 56 4.95, 64 4.75, 75 4.50, 88 4.20; Outspan: 32/64 4.00-4.85. Apples—French: Golden Delicious 20 lb 72's 4.00-5.50, 84's 4.50-5.00; New Zealand: Red Delicious 11.00-12.00, Golden Delicious 10.00-12.00; Chilean: 18 kg Granny Smith 10.00-11.00; South African: Granny Smith 10.50-11.50, Golden Delicious 11.50-12.80, Starkcrimson 11.00-12.80; U.S.: 19 kg Red Delicious 9.00-14.00; Stuermers 11.50. Pears—South African: Packham's Triumph 10.50-11.80, Comice 14 lb 11.00-12.20, Beurre Bosc 9.00-10.40; Chilean: Packham's Triumph 20 kg 14.00-15.00; Italian: Per pound Passacrassane 0.14-0.16. Peaches—Spanish: 4.50-7.00.

English Produce: Potatoes—Per 55 lb White 4.80-5.50, Kind Edwards 5.00-6.50, per pound new 0.18. Mushrooms—Per pound open 0.50-0.60, closed 0.60-0.80. Apples—Per pound Bramley 0.20-0.34. Lettuce—Per 12 round 1.20, Cos 1.20, Webb's 3.00. Onions—Per 55 lb 40/80 mm 3.00-4.20. Spring onions—Per bunch 0.12. Spring cabbage—Per 25/30 lb 3.00-4.00. Carrots—Per 28 lb 2.00-3.00. Beetroots—Per 28 lb round 1.00-1.20, long 1.20. Rhubarb—Per pound outdoor 0.08-0.12. Leeks—Per 10 lb 1.20-1.50. Cucumbers—Per box 12/24 2.50-3.00. Greens—Per 30 lb Kent 1.50-2.00. Tomatoes—Per 12 lb Dutch 0.60-1.80. Cauliflowers—Per 12 Kent 3.00-4.00. Asparagus—Per pound 0.80-1.50. Strawberries—Per ½ oz 0.39-0.80, 4 oz 0.20-0.30. Raspberries—Per 4 oz pack 0.70-1.30. Celery—Per 12/20 4.00-5.00. Carrots—Bunches 12 in box 2.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	May 25 1982	+ or −	Month ago
Metals			
Aluminium	£810/815		£810/815
Free Mkt	$940/980		$985/1015
Copper			
Cash h grade	£814	−1.75	£858.5
3 mths	£842.75	−1.75	£888.75
Cash Cathode	£807	+1.75	£853.5
3 mths	£836.5	+1.25	£882
Gold troy oz	$327.75	+1.5	[illegible]
Lead Cash	£310.625		£323.5
3 mths	£322.75		£335.75
Nickel	[illegible]		[illegible]
Free mkt	240/270c	+5	240/270c
Platin'm troy oz	£260		£260
Freemkt	£193.75		£193.75
Quicksilver	$365/375		$365/375
Silver troy oz	356.95p	−4.2	416.90p
3 mths	370.65p	−4.75	430.50p
Tin Cash	£6865	−95	£7152.5
3 mths	£7017.5	−71.5	[illegible]
Tungsten 22.04 lb	$109.01		$114.29
Wolfrm 22.04 lbs	$108/112		$102/107
Zinc Cash	£411	−3	£425.5
3 mths	£416.25	−1.5	£432.75
Producers	$850/900		$850/900
Oils			
Coconut (Phil)	$513.5u		$515
Groundnut			[illegible]
Linseed Crude			[illegible]
Palm Malayan	$522.5y	+2.5	$505
Seeds			
Copra Philip	$355		$340
Soyabean (U.S.)	$271	−5	$275.25
Grains			
Barley Fut. Sep	£104.50	−0.45	£103.45
Maize	[illegible]		[illegible]
Wheat Fut.Sep	£109.25	−0.25	[illegible]
No.2HardWint			
Other commodities			
Cocoa ship't*	£950		£997
Future July	£924.5	[illegible]	£976
Coffee Ft' July	£1158.5	+11.5	£1164.5
Cotton A index	76.70c	[illegible]	72.40c
Gas Oil Jun	$299.25	−3.75	[illegible]
Rubber (kilo)	53.5p	−0.5	[illegible]
Sugar (Raw)	£110w		£121
Woolt'ps 64s kl	397p kilo		401p kilo

* Unquoted. v June. u June-July. t Per 76lb flask. * Ghana cocoa. n Nominal. § Seller. b May-June-July. h July-Aug.

INDICES

FINANCIAL TIMES

May 24	May 21	Month ago	Year ago
253.80	241.47	249.72	

(Base: July 1 1952=100)

MOODY'S

May 24	May 21	Month ago	Year ago
1001.0	1005.0	1005.5	1079.9

(December 31 1931=100)

DOW JONES

Dow Jones	May 24	May 21	Month ago	Year ago
Spot	125.11	126.03	127.23	
Fut's	128.85	128.53	131.85	

(Base: December 31 1974=100)

REUTERS

May 25	May 24	M'nth ago	Year ago
1557.5	1560.3	1609.0	1996.1

(Base: September 18 1931=100)

GOLD MARKETS

Gold fell $¾ in tha London bullion market yesterday, but finished at its highest level of the day at $327¾-328¾. The metal opened at $326¼-327, and was fixed at $326.00 in the morning, and $327.90 in the afternoon. It touched a low of $324¾-325¾.

In Paris the 12½ kilo gold bar was fixed at FFr 63,550 per kilo ($330.48 per ounce) in the afternoon, compared with FFr 63,750 ($332.83) in the morning, and FFr 65,000 ($338.64) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 24,195 per kilo ($326 per ounce), against DM 24,195 ($334.01) previously, and closed at $327½-328½, compared with $328¾-329¾.

In Luxembourg the 12½ kilo bar was fixed at tha equivalent of $325.60 per ounce, compared with $332.00.

In Zurich gold finished at $326-329, against $328-331.

LONDON FUTURES

Month	Yest'rday's close	+ or −	Business Done
	£ per troy ounce		
August	186.50-6.55	−0.100	186.50-4.15
Sept'mb'r	187.95-8.15	+0.075	—
October	188.75-9.85	−0.500	189.80-5.50
November	191.60-1.85	−0.475	—
December	193.50-6.60	−0.750	—

Turnover: £96 (1,042) lots of 100 troy ozs.

	May 25		May 24	
Gold Bullion (fine ounce)				
Close	$327¾-328¾	(£181½-182)	$328-329	(£182-182½)
Opening	$326¼-327	(£181-181½)	$333-333½	(£185-185¼)
Morning fixing	$326	(£180.340)	$331.25	(£184.054)
Afternoon fixing	$327.90	(£191.512)	$329	(£191.250)
Gold Coins				
Krugerrand	$338-338¾	(£197¼-187¾)	$339½-332¼	(£187½-188)
1/2 Krugerrand	$174-175	(£96½-97)	$174¼-175¼	(£97¼-05¼)
1/4 Krugerrand	$88½-92½	(£49-42½)	$88¾-89¾	(£49½-49¾)
1/10 Krugerrand	$36-37	(£20-20½)	$36-37	(£20-20½)
Mapleleaf	$339-339	(£197¼-197¾)	$338½-330½	(£187½-192¼)
New Sovereigns	$72¼-70¾	(£44-44¼)	$72½-80	(£44-44¼)
King Sovereigns	$92½-94	(£51¼-52)	$93½-95	(£51¼-52½)
Victoria Sovs	$92½-94	(£51¼-52)	$93½-95	(£51¾-50½)
French 20s	$65¾-75¾	(£35½-43)	$58¼-72½	(£37¼-43¼)
50 pesos Mexico	$405¼-405¾	(£223½-234¾)	$403½-405¾	(£223½-225)
100 Cor. Austria	$319-325	(£175¾-170)	$319½-322	(£177-179½)
$20 Eagles	$425-430	(£235½-239¼)	$429-434	(£237¾-240½)

AMERICAN MARKETS

NEW YORK, May 25

Coffee rallied sharply on anticipation of a quota cut. Cocoa was moderately higher as producers withdrew offerings from the market. Sugar rallied on short-covering and technical buying. Cotton was moderately lower on continued commission house liquidation. Precious metals advanced slightly on profit-taking following recent declines, reported Heinold.

Copper—May 65.70 (65.95), June 65.75 (66.10), July 67.70-67.90, Sept 69.50-69.65, Dec 71.85-72.00, Jan 72.80, March 74.50, May 76.00, July 76.60, Sept 79.20, Dec 81.80, Jan 82.35, March 83.95.

*Gold—May 329.2 (328.1), June 329.0-330.0 (328.8), July 333.0, Aug 336.0-337.2, Oct 344.0-344.5, Dec 350.5-351.0, Feb 358.3, April 365.8, June 373.4, Aug 381.1, Oct 388.8, Dec 396.8, Feb 404.8.

Potatoes (round whites)—Nov 77.0-77.3 (77.2), Feb 85.0 (85.8), March 88.0, April 100.4-101.0. Sales: 319.

¶Silver—May 652.4 (652.9), June 653.0 (655.2), July 660.1-663.3, Sept 677.0-679.0, Dec 701.0-703.5, Jan 709.2, March 725.3, May 741.4, July 757.3, Sept 773.8, Dec 797.8, Jan 805.8, March 821.8. Handy and Harman bullion spot 652.50 (654.00).

Sugar—No. 11: July 8.36-8.38 (8.20), Sept 8.67-8.69 (8.50), Oct 8.80-8.83, Jan 9.33, March 9.83-9.86, May 10.09-10.10, July 10.26-10.30, Sept 10.35-10.45. Sales: 8,203.

Tin—573.00-575.00 (575.00-578.00).

CHICAGO, May 25

Lard—Chicago loose 23.00 (same).

Live Cattle—June 72.07-72.12 (72.27), Aug 67.12-67.05 (66.70), Oct 63.70-63.60, Dec 63.40-63.30, Feb 62.30, April 63.00, June 63.80.

Live Hogs—June 62.50-62.60 (61.85), July 62.85-62.75 (61.50), Aug 61.95-61.97, Oct 58.30-58.20, Dec 58.25-58.15, Feb 54.85-54.85, April 50.75, June 52.22, July 52.25.

‡‡Maize—July 275½-276 (279½), Sept 274-277½ (281), Dec 280½-280¾, March 293½-293¾, May 302, July 309.

Pork Bellies—July 85.60 (83.60), Aug 83.55 (81.65), Feb 75.90-76.20, March 76.40, May 76.50, July 77.20, Aug 74.90.

†Soyabeans—July 655½-656½ (663¼), Aug 660½-661 (668¼), Sept 662¼, Nov 668-669, Jan 681-681½, March 696, May 708½, July 718½, Aug 722½.

‖Soyabean Meal—July 186.7-187.0 (189.3), Aug 188.0-188.5 (190.4), Sept 190.0-188.3, Oct 190.3-190.0, Dec 104.2, Jan 197.0-196.5, March 201.0-202.0, May 205.0-206.0, July 206.0-207.0.

Soyabean Oil—July 20.51-20.53 (20.94), Aug 20.90-20.91 (21.24), Sept 21.12, Oct 21.35-21.30, Dec 21.65, Jan 21.83, March 22.30, May 22.40-22.50, July 22.95.

†Wheat—July 357¼-355 (359¼), Sept 370¼-370½ (374¾), Dec 391-390¾, March 406¾, May 413½.

WINNIPEG, May 25.

§Barley—May 128.50 (130.50), July 127.60 (128.20), Oct 125.60, Dec 126.60, Mar 128.60.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 219.93

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lb). § $Can. per metric ton. §§ $ per 1,000 sq ft. ‡ Cents per dozen. †† $ per metric ton.

Monday's closing prices

NEW YORK, May 24.

††Cocoa—July 1512 (1537), Sept 1564 (1587), Dec 16.30, March 16.90, May 1730, July 1770. Sales: 1,520.

Coffee—"C" Contract: July 125.60-125.70 (128.38), Sept 119.30-119.50 (120.12), Dec 115.50-116.00, March 112.95-113.10, May 110.00-111.50. Sales: 1,855.

Cotton—No. 2: July 66.57-66.53 (67.22), Oct 69.55-69.60 (70.17), Dec 70.95-71.00, March 72.90, May 74.05-74.30, Oct 76.10-76.50. Sales: 2,500.

Orange Juice—July 118.00-118.30 (117.95), Sept 121.00 (121.10), Nov 12.820-123.00, Jan 124.40, March 126.00-126.20, May 127.40-127.60, July 128.80-129.00, Sept 130.20-130.40. Sales: 500.

CHICAGO, May 24.

Chicago Imm Gold—June 328.2-328.5 (336.8), Sept 338.8-338.5 (347.6). Dec 349.3, March 360.6, June 371.9, Sept 383.5.

EUROPEAN MARKETS

Sugar—(FFr per tonne): July 1510/1530, Aug 1524/1526, Oct 1480/1485, Nov 1478/1487, Dec 1495/1505, Mar 1574/1576, May 1615/1625, July 1655/1680. Sales at call: 7.

ROTTERDAM, May 25.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent June 183.50, July 187.50, Aug 185, Sept 189.50, Oct 182. U.S. No Three Amber Durum May 181, June 181, July 182.50, Aug 185, Sept 186, Oct/Dec 192. Canadian Western Red Spring May 197.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports May 265, June 286, July 267.50, Aug 269, Sept 269.50, Oct 265.50, Nov 265.50, Dec 270.50, Jan 275.50, Feb 279.50, Mar 282.50 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 235, May 231/230, June 230/229.50 traded; afloat 235, May 230, June 230, July/Sept 233, Nov/Mar 243 sellers. Soyameal Brazil afloat 247, May 243.50, June 244, June/Sept 245, Nov/Mar 260 sellers.

PARIS, May 25.

Cocoa—(FFr per 100 kilos): May 953/975, July 988/1005, Sept 1037/1045, Dec 1021-1090, Mar 1120/1129, May 1155/1165, July 1183/1180. Sales at call: nil.

COTTON

LIVERPOOL—No spot or shipment sales were registered. Buyers were again nervous about future developments and did not entertain fresh orders. Even regular growths were in quiet request, and business generally failed to broaden.

Deere earnings plummet by 97% in second quarter

BY CHRISTOPHER PARKES IN NEW YORK

DEERE, the large U.S. farm equipment and industrial machinery manufacturer, said earnings slumped by 97 per cent in the second quarter of this year.

Net profits for the three months to April 30 were only $3m compared with $90.7m in the same period last year. With profits already off in the first quarter, the slump in the second three-month period leaves earnings for the first half year at only $36.7m or 54 cents a share, compared with $128.6m or $1.96.

Deere's world sales fell by 9 per cent in the first six months to $2.31bn. The company has an extensive business in industrial equipment, including crawler tractors and earth-moving equipment. But this division turned in a substantial loss last year from its 14 per cent of group sales.

Mr William Hewitt, the chairman, warned last month of a "serious decline" in earnings for the rest of the current fiscal year, following an 11 per cent drop in earnings in the first quarter.

The decline in demand for Deere products had been intensified by continuing high interest rates and low prices for agricultural produce he said yesterday.

Even so, he claimed: "We are weathering the current recession reasonably well compared with many other companies."

Other factors contributing to the fall in profits included:

● A 14 per cent decline in the physical volume of sales world-wide.

● Under-use of production capacity. Deere's two industrial equipment factories were closed in January, and a foundry and the Iowa tractor plant were shut for two weeks in March.

● "Significantly higher spending" on sales incentives to counter "extremely low competitive prices" offered by other manufacturers.

Mr Hewitt warned again yesterday that he expected earnings to remain under severe pressure and emphasised the need for strict cost and operations control.

All salaries have already been frozen and the company recently stopped contributing to an employees stock purchasing plan.

Salaried staff have also been reduced through natural wastage and an early retirement scheme.

Mr Hewitt's gloom appears to be borne out by other authorities. The recession in the U.S. agricultural economy is claimed by some, notably farmers, to be the worst since the 1930s.

According to Continental Bank, low commodity prices cut farm incomes by 13 per cent last year.

Further setback at Firestone

BY OUR NEW YORK STAFF

NORTH AMERICA'S continuing economic depression has made itself increasingly felt at Firestone Tire and Rubber, the second biggest U.S. tyremaker. After its sharp first-quarter earnings decline, the group has just managed to break even in the second three-month period.

Firestone reports a net income of $8m, equal to 10 cents a share, for the second quarter, but this includes an after-tax gain of $5m related to a partial liquidation of Lifo stocks. In the corresponding period of fiscal 1981, net income was $27m, or 46 cents a share—this included a gain of $12m from debt repurchases.

The latest returns bring net income for the half-year to $7m or 13 cents a share, compared with $103m or $1.78 a share previously. The 1981 figure, however, also includes a gain of $50m, equal to 86 cents a share, on the sale of Firestone Plastics.

Half-year sales declined by 12 per cent, from $2.17bn to $1.91bn, with the second quarter providing $1.02bn against $1.11bn last year.

The directors attributed the poor returns to continued depressed rubber and latex prices which hurt operating income. In addition, reduced demand for original equipment automotive and truck related products, as well as temporary plant shutdowns, contributed to the setback.

In the North American tyre division, operating income in the second quarter fell from $18m to $11m.

Bolivia able to service debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

BOLIVIA, which last week warned international bankers that it would be unable to meet its debt service commitments during June, has withdrawn a request for a meeting to discuss its cash flow situation.

The country will be able to meet the commitments after all, it says. In addition a payment due this month has been paid after a delay of a week.

The ability to go on paying debt service commitments to its international banks has removed the threat to its $450m debt rescheduling arrangement concluded with commercial banks last year. But yesterday bankers were at a loss to know where the money was coming from.

Bolivia was last week reported to be suffering from a shortage of dollar liquidity due to its inability to discount the proceeds of natural gas sales from Argentina. Some bankers believe its export revenues must have unexpectedly improved.

While the immediate problem has passed, the small amount of payments involved—$4.5m this month and $1.6m in June—has left the impression that Bolivia's finances are very tight.

In addition it has yet to negotiate an agreement on an economic stabilisation programme with the International Monetary Fund which was promised when the rescheduling agreement was signed in April last year.

Alcoa ends production at Texas smelter

By Richard Lambert in New York

ALUMINUM Company of America (Alcoa) is closing permanently its 145,000 tonne a year smelter at Point Comfort, Texas.

The closure is the latest in a series of cuts in the hard-pressed North American aluminium industry. It will reduce Alcoa's rated production capacity for primary aluminium production in the U.S. by about 9 per cent, and take its operating level up to 73 per cent of capacity.

Mr W. H. Krome George, Alcoa chairman, said the smelter was run on natural gas—"an energy source that will continue to be too costly to use in the production of aluminium." A major capital investment would have been required to bring the 30-year-old plant up to modern environmental standards.

The Point Comfort facility was Alcoa's highest cost smelter, and had been turned on and off in recent years in line with cyclical trends in the aluminium industry. Before the decision to close it permanently the smelter had been out of operation since the end of 1980. The closure will result in a non-recurring charge to net income of about $4.5m in the second quarter of this year.

The other big aluminium producers have also been reducing capacity in North America.

NLT $620m bid rejected

By Our Financial Staff

AN ACRIMONIOUS battle in the insurance industry took another turn yesterday when American General, twelfth largest in the industry, rejected the $620m bid for voting control by NLT the Nashville-based insurance holding company.

American General directors said in Houston that the NLT offer for 48 per cent of the equity was "not in the best interest of the company," adding that it was "inadequate, and of questionable legality."

NLT's offer was intended to fight off an equally unwelcome offer for its own equity by American General.

Blue-collar store feels the pinch

BY PAUL BETTS IN NEW YORK

WHILE economists are finally beginning to talk about a recovery in the U.S. economy in the second part of this year, Mr Ed Gibbons, the cigar-chewing, gravel-voiced chairman of F. W. Woolworth, the $7bn American retailer, paints an altogether gloomy picture.

His company is having an unhappy time. Mr Gibbons prefers not to speak about the British subsidiary because: "It's best if they speak themselves." But he acknowledges that business in the U.S. and other countries like Canada, Germany and Mexico, where Woolworth has a sizeable presence, is disappointing to say the least.

Woolworth's profits last year were nearly halved to $58m compared to the year before. In the first quarter of the current year, it reported a net loss of $16m or 58 cents a share, compared with a loss of $2m or 10 cents a share.

Apart from a whole host of mistakes, not least, Mr Gibbons admits, the failure of the company to keep up with the changes of the Seventies, the underlying problem is that Woolworth is in the most mature end of the retailing business. Although it has been changing its image, it is still essentially a chain catering for blue collar workers.

Retail sales are as good an indicator as any of the state of an economy. In the latest recession, Mr Gibbons says, specialty store retailing has generally performed much better than mass merchandising.

Mass merchandising is a more direct reflection of the pitiful state of the rank and file hourly worker. Specialty stores have white collar workers and professionals in the upper brackets as their customer constituency.

"The effect of the recession has been smaller because lay-offs have been fewer among the white collar workers, and fears of lay-offs have not yet gripped people to the point that they stop buying," says Mr Gibbons.

He likes to describe himself as a coat and dress man, although after starting in retailing he moved on to finance and later returned to retailing with Woolworth. He notes several differences between the current recession and earlier ones. High interest rates are largely to blame. The lack of available mortgage money and its high cost has reduced the mobility of the American family dramatically. This in turn has clobbered sales of major appliances, rugs, furniture, kitchen ware, and domestic items like draperies and curtains because sales of these goods depend on family mobility and new households.

The present recession has also had different geographic impact. In the last recession, the south-east of the country was not hurt as much because housing had not slowed down as dramatically as it has now.

"Moreover, and I can't quantify this, we have an effect in the south-east this time because of the relationship of the dollar to other currencies. You don't buy as much Florida vacation with a pound sterling as you did before," says Mr Gibbons.

Elsewhere, the highly industrialised upper mid-west is having huge troubles. The north-west, which depends on forest products and hence on the fortunes of the construction and pulp and paper industries, is also on its back.

But unlike the last recession: "We see some of the greatest strength in the north-east and the mid-atlantic states because they are not predominantly heavy industry states." Because these states are focused around light industry, including high growth computer and service industries, the impact of the present recession has not been as heavily felt.

Mr Gibbons feels that President Reagan's tax cuts have not been large enough to have any impact on retail sales and have been more than offset by increase in social security levies. As for the forthcoming July 1 tax cut—"They are a cruel joke on the unemployed since you have to be paying taxes to benefit from tax cuts. And, as many of our customers are unemployed, tax cuts mean nothing to them."

He believes there will be a recovery in the second part of the year, but an anaemic and short-lived one if interest rates do not come down. In any event, consumer spending is likely to be alone this time in leading the country out of recession. The other two sectors which traditionally start moving in any economic upturn—housing and capital goods—are unlikely to bounce back.

"Unless interest rates come down and unless prices of new houses stabilise, Mr Gibbons sees little recovery in housing. "The average new house costs $33,000 in the U.S. There are not that many people who can afford this."

Prospects for capital goods are equally glum. "The country's industrial capacity is currently being utilised at something slightly over 70 per cent. You'll have to travel a long distance before you get to the point when people start adding to that capacity, especially at current costs."

In past recessions, says Mr Gibbons, business has been able to reliquefy itself quickly because there were opportunities available to raise long term debt at reasonable interest rates. "I don't see the same conditions today. If the cost of the recovery, the cost of adding assets, plant, equipment cannot be covered by long term debt at reasonable rates, then I wonder about it."

Even retailers are likely to have a hard time. "Even when people go back to work and pay smaller taxes, there won't be as many funds available for consumer purchases as in past recoveries," he warns. He claims there are a huge number of people in default on their mortgages and that they will be catching up with their payments when times get better. The recession has also caused consumers to be more cautious.

"The U.S. has never had a reputation for being a thrifty nation—our propensity to save is the smallest in any developed country. But this is now changing. It may be for the long term good of the country, but it is not much good for Woolworth."

As for Woolworth: "Our problem is that in this kind of period you can do all the right things but nothing shows. That is not to say we should diminish the dedication to do the right things nor do we have the right to get discouraged."

Mr Gibbons gives the strong impression that while Woolworth is pursuing its recovery strategy focusing more on speciality operations and other new retailing areas, things are pretty much on hold right now—in terms of capital spending at least.

"The gospel I preach here is that we haven't burned too much money in the past but we've done poorly with what we have burned. I wouldn't spend another penny to do what was done in the past. My answer (to new spending) is 'no'—unless it makes sense."

"I often find myself contradicting economists. They have a habit of talking about the unemployed and the underemployed, their debts and their problems, in the third person. I talk about them in the first person. They are after all my customers"—Mr Ed Gibbons, chairman of F. W. Woolworth

German banks launch two DM100m bonds

By Our Euromarkets Correspondent

GERMAN BANKS pressed ahead with their heavy calendar of new foreign issues yesterday, launching two bonds of DM 100m each, for Norsk Hydro and for Mexico's electric utility Comision Federal de Electricidad (CFE).

There was, however, a striking difference in the coupons offered on the two issues reflecting the relative standing of the borrowers in the bond market.

Norsk Hydro is paying a coupon of 8½ per cent for its 10-year issue, which has been priced at 99¼ by lead managers Deutsche Bank. CFE is paying 11 per cent over seven years for its bonds. The issue price has been left open by lead managers WestLB.

Tomorrow another DM 100m issue is expected for Sweden to be led by Deutsche Bank, bringing the number of new issues announced this week to four. Yesterday the market appeared to be faltering in the wake of such a heavy offering and seasoned bonds fell up to ½ point in fairly thin trading.

Swiss franc foreign issues were also weaker yesterday following Moody's increase in customer time deposits by leading commercial banks. Electricite de France is raising SwFr 100m through a five-year private placement with a coupon of 6¾ per cent led by UBS.

The dollar bond market meanwhile stayed fairly quiet with prices up fractionally. The scarcity of new issues is allowing the overhang of paper left from before last week's Association of International Bond Dealers' meeting in Venice.

Florida Telephone withdrew its $65m. 15 per cent bond from the Euromarket in favour of an issue in the cheaper U.S. domestic market,

Elsewhere Cepel Shipyard of Singapore is floating a $50m, 10-year convertible bond with an indicated coupon of 6¾ per cent and conversion premium of about 5 per cent through DBS-Daiwa Securities International.

In Japan the European Investment Bank is raising Y15bn through a 10-year issue led by Nikko Securities and Credit Suisse First Boston. It bears an indicated coupon of 8¼ per cent.

Loss at AM International

By Our Financial Staff

A LOSS of $14m or $1.36 a share was suffered in the third quarter by AM International, the Chicago-based office equipment group which has been operating under Chapter 11 of the Bankruptcy Laws since April 13, when it became the first major casualty of the current recession in the U.S. Because of the Chapter 11 filing, when the company had bank debts totalling $254m, the period reported covers only 2½ months. Revenues totalled $126m.

For the nine-month period, a net loss of $58.5m or $5.71 has been recorded, on sales of $433.1m.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday June 16.

Closing prices on May 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	102	102½	+0⅛	+0¼	14.17
Amax Int. Fin. 16¼ 92	75	104¾	104⅞	0	+0½	15.28
Amex O/S Fin. 14¼ 89	75	98	98½	+0½	+0½	14.65
APS Fin. Co. 16⅛ 89	75	103½	104	+0⅛	+0⅛	15.25
ATT 14¼ 89	400	102⅜	102⅞	+0⅜	+1	13.60
Bakat Int. Fin. 0.0 92	225	27½	28	0	0	14.05
BHP Finance 14⅛ 89	150	98¾	99¼	+0¼	+0⅛	14.38
Bk. Amer. NT SA 12 87	200	93	93½	+0⅛	+0½	13.97
Bque. Indo Suez 15 89	100	98⅝	99⅛	0	0	15.27
British Col. Hyd. 14¾ 89	200	101½	101⅞	+0⅛	+0⅛	14.41
Burroughs Int. 15⅛ 88	50	104¼	104¾	0	+0⅛	14.51
Canadair 15½ 87	150	101⅝	102½	0	0	14.88
Canadian Pac. 14⅝ 92	75	99⅛	99⅝	+0⅛	+0⅛	14.74
Carolina Power 16½ 89	60	104⅛	105	+0¼	+0⅛	16.26
CIBC 16 87	100	102¾	103⅛	+0⅛	0	15.03
Citicorp O/S 15 84/92	100	100⅜	100⅞	+0⅛	+0⅞	14.53
Citicorp O/S 15½ 85/97	125	101⅜	101⅞	+0½	+0⅜	14.66
CNA 15⅞ 97	75	101½	101⅞	+0⅛	+0½	15.60
Con. Illinois 15¾ 89	100	102⅞	103⅜	+0⅞	+0⅞	14.97
Duke Pwr. O/S 15½ 89	60	102¾	103¼	+0¼	+0⅛	14.75
Dupont O/S Cap. 0.0 90	300	36⅜	36⅞	+0¼	−0⅛	13.91
ECSC 14¾ 87	60	99½	100	0	+0¼	14.78
EIB 15½ 89	150	101⅜	101⅞	+0⅛	0	15.06
Eksportfinans 14½ 89	50	98½	99	+0⅛	+0⅛	14.79
Gen. Elec. Credit 0.0 92	400	29⅛	29⅝	+0⅛	−0⅛	13.42
Gen. Elec. Credit 0.0 93	400	25⅞	26⅜	+0¼	−0⅛	13.33
Getty Oil Int. 14 89	125	99¼	99¾	+0⅛	+0⅛	14.10
GMAC O/S Fin. 15 88	150	102⅝	103⅛	+0⅛	+0½	15.15
GMAC O/S 15¼ 85/97	100	99⅝	100⅛	+0⅛	+0⅛	15.25
GMAC O/S Fin. 15 89	125	98¾	99¼	+0⅛	+0⅛	15.27
Gulf Canada Ltd 14¼ 92	100	100½	101	+0⅛	+0⅜	14.58
Gulf Oil 14¼ 94	175	98½	100	+0¼	+0⅛	14.27
Gulf Oil Fin. 0.0 92	300	28⅞	29⅜	+0⅛	+0⅛	13.51
Gulf States O/S 16 90	60	101¼	101¾	0	+0⅛	15.63
Int.-Am. Dv. Bk. 15⅛ 87	55	100⅜	100⅞	+0⅛	+0⅛	14.88
Japan Dev. Bk. 15½ 87	50	103⅞	104⅜	+0⅛	+0¼	14.22
New Brunswick 16¼ 89	75	105⅛	105⅝	+0⅛	0	14.89
Ontario Hyd. 15 91 (N)	200	105⅝	106⅛	0	+0⅞	14.75
Ontario Hydro 14⅜ 89	150	101½	102½	0	+0⅛	14.29
Pac. Gas & El. 15¾ 89	80	103⅞	104⅜	+0⅛	+0⅛	14.68
Pac. Gas & El. 15½ 89	45	103½	104	0	+0⅛	14.57
J. C. Penney Cl. 0.0 94	350	22⅛	22⅝	0	−0⅛	13.56
Phillips Petrol 14 89	200	97⅜	98⅜	+0¼	+0⅞	14.49
R.J. Rynlds. O/S 0.0 92	400	27⅞	28⅜	0	0	13.92
Saskatchewan 15 89	125	104¼	104¾	0	+0¼	14.26
Shell Canada 14⅜ 92	125	98½	99	0	0	14.62
Spain 15⅜ 87	100	99⅝	100⅛	+0½	+0⅞	15.74
Statsforetag 15¾ 87	50	100⅜	100⅞	0	+0¼	15.47
Swed. Exp. Cr. 15⅜ 89	100	98¾	100¼	0	0	15.21
Swed. Exp. Cr. 14¾ 90	100	96⅝	97⅛	+0¼	+0⅛	15.45
Swed. Exp. Cr. 0.0 94	200	21⅞	22⅜	+0½	0	13.65
Union Carbide 14¾ 89	150	100⅝	101⅛	+0⅛	+0½	14.53
Wells Fargo I. F. 15 87	75	101½	102	−0⅛	+0½	14.42
WMC Fin. 15½ 88	50	99	99½	+0⅛	+0⅜	15.62
World Bank 15⅛ 88	250	101⅛	101⅜	+0⅜	−0⅛	14.80
World Bank 14¾ 87	500	98⅜	98⅞	+0¼	+0⅛	14.65

Average price changes... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 9⅛ 92	150	99	99½	−0¼	−0⅛	9.36
Australia 9⅛ 91	300	103¼	103¾	−0¼	−0⅛	8.80
Australia 9⅛ 91	200	103⅜	103⅞	−0⅛	−0⅛	8.75
Comp. Tel. Esp. 10½ 92	100	101	101½	−0⅛	−0¼	10.28
Denmark 10 88	100	†101	101½	0	−1⅛	9.69
Denmark 10¼ 92	100	†101½	102	−0⅛	−0⅛	9.82
EDF 9⅞ 92	100	†102	102½	0	+0⅛	9.50
EEC 10⅛ 93	100	103	103½	−0⅛	−0½	9.63
EEC 9¾ 94	200	102⅛	102⅝	−0⅛	−0¼	9.40
EIB 9¾ 88	60	101⅞	102⅜	+0⅛	−0⅛	9.25
Ireland 10⅛ 86	100	102	102½	0	−0⅛	9.46
Mexico 11 88	100	101½	101¾	−0⅛	−0½	10.64
Nacnl. Financiera 11 90	150	99⅝	100⅛	0	0	11.00
Nat. West. 9⅞ 92	100	†104¾	105¼	−0¼	−0⅛	9.06
New Zealand 8¾ 89	200	104	104½	+0⅛	+0⅛	8.93
OKB 9¾ 86	150	102⅛	102⅝	0	−0⅛	8.20
Quebec 10⅛ 92	150	104⅝	105⅛	−0¼	−0⅛	9.33
Quebec Hydro 10¼ 91	150	103¼	103¾	−0½	−1	9.65
Renfe 10 92	100	99½	100	0	−0⅛	10.04
Tauernautobahn 9⅞ 94	50	†103	103½	0	−0⅛	9.40
Venezuela 11½ 91	100	100⅝	100⅞	+0⅛	−0⅛	11.36
World Bank 8½ 89	100	102	102⅜	−0¼	−0¼	8.01
World Bank 10 91	250	103⅞	104⅜	−0¼	−1⅛	9.31

Average price changes... On day −0⅛ on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7½ 92	50	103⅜	103⅞	0	−0½	6.98
Aucalsa 7¾ 92	80	98	98½	−0⅞	−0⅞	8.01
Australia 6½ 94	100	104½	105	−1½	−0⅛	5.93
Cse. Nat. l'Energie 7 92	100	101½	102	−0⅛	−0⅛	6.73
CFE-Mexico 8¼ 92	50	99⅞	100⅜	−0⅛	−0½	8.25
Co-op. Denmark 8¼ 92	25	104⅞	105⅜	−0½	−1½	7.61
Crown Zellrbch. 6¾ 92	100	102½	102¾	−0¼	−0⅛	6.38
Denmark 7⅛ 91	100	102⅝	103	0	−0⅛	6.82
EIB 7¼ 92	100	104⅛	104⅝	+0¼	+1	6.60
Elec. de France 7 92	100	103½	103¾	0	−0⅛	6.47
ENEL 8 92	44	101⅛	101⅝	−1⅛	−0⅞	7.76
First City Fin. 8¾ 92	25	104½	104¾	−0½	−0⅛	7.56
Kommunlaan 7⅛ 92	35	100⅞	100⅜	−0½	−1⅛	7.16
Manitoba 7 92	100	105½	106	−0⅛	−0½	6.19
Mitsui OSK 6½ 92	100	100⅞	101⅜	−0¼	−1⅛	6.34
National Pwr. Co. 8 92	30	103½	103¾	0	0	7.46
Nippon T. and T. 6⅝ 92	100	103⅜	103⅞	−0½	−1	6.17
OKB 7¼ 92	100	104½	104¾	−0¼	−0¼	7.07
Ost. Donaukraft 7 92	100	102⅞	103¼	−0¼	−0½	6.56
Ost. Postspar 7½ 92	100	103⅝	104	−0½	−0½	6.93
Philip Morris 6⅝ 92	100	103	103½	−1⅞	−1⅜	6.19
Quebec 7⅛ 92	100	105⅛	105⅝	−0½	−0⅛	6.59
Sekisui Pre. 5¾ 92 WW	70	104¼	105	−1⅛	−2⅛	5.11
Soc. Lux. de Cnl. 8½ 92	80	105½	105¾	+0⅛	−0⅛	7.18
Transcanada Pipe 7 94	100	100⅜	101	+0⅛	+2⅛	6.88
Vorarlberg Kraft 6¾ 92	60	102⅝	102⅞	−0½	−0⅛	6.36

Average price changes... On day −0⅛ on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅜ 91	15	100	101	−0½	−0⅛	8.15
Int.-Amer. Dev. 8⅞ 81	15	102½	103⅛	0	+0⅛	8.39
Japan Airlines 7⅞ 87	9	97⅜	97⅞	−0½	−0⅛	8.49
New Zealand 8⅛ 87	15	100⅜	101⅜	0	−0½	8.15
World Bank 8⅛ 92	20	100⅜	101½	0	0	8.25

Average price changes... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Pac. S. 16¾ 89 C$	60	†99¼	99¾	0	0	16.47
Crd. Foncier 17½ 88 C$	30	†99¾	100¼	0	−0⅛	17.10
Hudson Bay 17 89 C$	40	†99⅜	100⅛	0	−0¼	16.98
Nacional Fin. 17¾ 87 C$	50	†98½	99½	0	0	18.01
Q. Hyd. 16⅛ 89 (Mr) C$	50	†99⅜	100⅛	0	+1⅛	16.45
Q. Hyd. 16½ 89 (My) C$	50	†99¼	99¾	0	0	16.62
Simpsons 16½ 89 C$	40	†97½	98	0	+0⅛	17.31
U. Bk. Nwy. 9½ 90 EUA	18	89⅝	90⅛	0	0	11.47
Amro Bank 10 87 Fl	150	99⅝	100⅛	+0½	+0⅞	10.03
Bk. Mees & H. 10 87 Fl	75	99⅛	99⅝	+0⅛	+0⅞	10.15
Eurofima 10½ 89 Fl	50	101	101½	0	0	10.22
Phil. Lamps 10⅛ 87 Fl	100	101⅜	101⅞	−0⅛	−0⅛	9.80
Rabobank 12 86 Fl	50	106¼	106¾	0	−0½	9.96
World Bank 10 87 Fl	150	99	99½	0	+0⅛	10.20
OKB 14 86 FFr	400	92⅞	93⅜	+0⅛	+0¼	16.64
Solvay et C. 14¾ 88 FFr	200	92⅞	93⅜	0	0	17.40
Acona 14 85 £	20	95½	96½	0	0	15.46
Beneficial 14¼ 90 £ (D)	20	88⅜	89⅛	0	0	16.79
BNP 13½ 91 £	15	92⅜	93½	0	+0⅛	14.92
CECA 13⅛ 88 £	20	94⅝	95⅛	0	−0¼	14.80
Fin. Ex. Cred. 13¾ 86 £	15	95⅜	95⅞	0	−0⅛	15.34
Gen. Elec. Co. 12¾ 89 £	50	92½	93⅛	0	−0⅛	14.17
Hiram Walker 14⅛ 86 £	25	97¾	98¼	+0½	0	15.02
Privatbanken 14½ 88 £	12	94⅛	95½	0	−0⅛	15.96
Quebec 15½ 87 £	35	101⅞	102⅜	0	−0⅛	14.78
Reed (Nd) NV 16¾ 89 £	25	102⅞	103⅜	+0¼	+0⅛	15.88
Royal Trustco 14 88 £	12	97½	98¼	+0⅞	−0⅛	14.71
SDR France 15½ 92 £	30	99⅜	100½	0	−0⅛	15.52
Swed. Ex. Cr. 13¾ 86 £	20	97⅞	98½	0	0	14.51
Eurofima 10½ 87 LuxFr	500	96	97	+0⅛	+0⅛	11.37
EIB 9¾ 88 LuxFr	600	93	94	−0⅛	−0⅛	11.34

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	98⅝	98⅞	15/10	15.69	15.93
Bank of Montreal 5¼ 91	0⅛	99⅛	99⅝	29/10	16⅛	15.22
Bk. of Tokyo 5¼ 91 (D)	0⅛	98⅞	99⅜	10/6	13⅛	13.38
Bk. Nova Scotia 5¼ 93	0⅛	99⅜	99⅞	29/10	15½	15.20
BFCE 5¼ 88	0⅛	99⅛	99⅝	28/10	15	15.09
BFCE 5¼ 87	0¼	99¼	99¾	27/7	16¼	16.33
Caisse Nat. Tels. 5¼ 90	0¼	99½	100	21/10	15⅞	15.79
CCCE 5¼ 2002	0⅛	98⅜	98⅞	11/6	14.82	15.02
Co-Ban Eurofin 5½ 91	0⅛	99⅛	99⅝	14/10	16	15.10
Credit Agricole 5¼ 97	0¼	99⅛	99⅝	24/9	15.44	15.53
Credit Lyonnais 5¼ 97	0¼	99½	100	1/10	16	15.04
Credit Nat. 5¼ 94	†0⅛	98⅜	98⅞	9/6	14.69	14.89
Denmark, Kngdm. of 92	0⅛	99½	99¾	25/8	15.44	15.55
Den Norske Cred. 5¼ 93	0¼	98	98½	4/6	13.56	13.80
Indonesia 5¼ 92	0¼	98⅝	99⅛	27/5	5⅛	5.31
Ind. Bank Japan 5¼ 88	0⅛	98⅞	99⅛	12/11	14½	14.63
Kansallis Osake 5½ 92	0¼	99⅛	99⅝	6/11	15.31	15.39
Lloyds Eurofin 5¼ 93	§0⅛	99⅛	99⅝	29/10	17⅛	17.23
J. P. Morgan 5¼ 97	§0¼	98⅞	99⅜	12/8	14⅝	14.77
Nat. West. Fin. 5¼ 91	§0⅛	99⅛	99⅝	15/7	15.19	15.28
New Zealand 5⅛ 87	0⅛	99½	100	7/10	15.56	15.60
Nippon Credit 5¼ 90	0¼	99⅛	99⅝	10/8	16.06	16.16
Nordic Int. Fin. 5½ 91	0¼	99⅛	99½	6/11	15⅜	15.42
Offshore Mining 5½ 91	0¼	98⅞	99¼	2/8	13	13.13
PKbanken 5 91	0¼	99⅛	99⅝	17/8	14⅜	14.47
Scotland Int. 5¼ 92	0⅛	98⅞	99⅜	23/9	15⅜	15.51
Sec. Pacific 5¼ 91	0⅛	99⅛	99¼	24/11	15	15.08
Societe Generale 5¼ 95	0¼	99⅛	99½	1/9	15.31	15.41
Standard Chart. 5¼ 91	0⅛	98¾	99⅛	18/11	14⅞	15.03
Sumitomo Fin. 5½ 88	0⅛	99⅝	100⅛	9/6	16	16.02
Swerlan 5⅛ 89	0¼	99⅛	99⅝	26/8	15.31	15.41
Toronto Domin'n 5¼ 92	0⅛	99⅝	99⅞	11/8	16⅛	16.46

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	88⅞	89⅞	−0½	4.06
Bow Valley Inv. 8 95	4/81	23.12	97½	99¼	+0⅛	56.02
Bridgestone Tire 5½ 96	3/82	470	87⅞	89⅛	−0⅛	−1.74
Canon 6¾ 95	1/81	829	98¼	100	−2⅞	7.82
Daiwa Secs. 5½ 96	12/81	513.3	†62	64	−1	−3.76
Fujitsu Fanuc 4½ 96	10/81	5641	93½	95½	−1¼	9.00
Furukawa Elec. 5¼ 96	7/81	300	98½	100	−3¼	−5.71
Hanson O/S Fin. 9½ 96	8/81	1.36	†89	90	0	−1.71
Hitachi Cable 5⅛ 96	2/82	515	91	92½	−0⅛	0.71
Hitachi Cred. Cpn. 5 96	7/81	1612	80⅛	82⅛	−1⅛	4.45
Honda Motor 5½ 97	3/82	841	87⅞	89⅜	−1½	1.69
Inchcape 8 95	2/81	4.65	†59½	61	0	20.40
Kawasaki 5¼ 96	3/81	229	68⅞	70⅛	−7⅞	4.38
Marui 6 96	7/81	846.4	104½	106	−1⅛	2.50
Minolta Camera 5 96	10/81	826.4	63⅛	64⅞	−1⅛	13.30
Minorco 9¼ 97	5/82	8.15	†86½	88	0	20.50
Murata 5¼ 96	7/81	2168	66⅞	67⅞	−0⅛	23.30
NKK 6½ 96	7/81	188	81¼	82¼	−0⅛	−9.25
Nippon Chemi-C. 5 91	10/81	919	64½	66½	−1½	11.15
Nippon Electric 5¼ 97	2/82	846	94	95½	−1	5.37
Orient Finance 5¼ 97	3/82	1205	95⅞	97⅛	−0⅛	3.38
Sanyo Electric 5 96	10/81	652	72½	74	−1	11.94
Sumitomo Elec. 5½ 97	3/82	677.3	91⅜	92¼	−1⅛	2.03
Sumitomo Met. 5¼ 96	10/81	296.1	68⅛	69⅞	−1¼	25.20
Swiss Bk. Cpn. 6⅛ 90	9/80	191	76½	78½	−0⅛	27.81
Konishiroku 8 90 DM	2/82	685	102¼	103	−1⅛	2.51
Mitsubishi H. 6 89 DM	2/82	263	94	95	0	18.44

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Daimler to reorganise U.S. truck operations

By Kevin Done in Frankfurt

DAIMLER-BENZ, the West German car and commercial vehicle manufacturer, is to reorganise its U.S. truck-making operations. The company is centralising its activities under the management of Freightliner, the heavy truck manufacturer which it acquired last year for $260m from Consolidated Freightways.

The acquisition established Daimler-Benz, one of the world's leading heavy truck makers, for the first time in this segment of the U.S. market.

Freightliner is taking over responsibility for the German group's existing medium-sized truck assembly operation in Hampton, Virginia. The combined operations will have annual sales of around $700m and a workforce of 4,600.

Freightliner, which operated at a loss last year, sold around 10,000 trucks of 15 tonnes and above in 1981, claiming a market share of close to 10 per cent.

The smaller truck operation at Hampton sold 4,000 trucks in the 7.5-15 tonnes range. The plant is an assembly operation for components shipped from Daimler-Benz's Brazilian truck factories.

Daimler-Benz intends to maintain both the Freightliner and Mercedes-Benz names in the U.S., but will increase the number of dealers handling both product lines.

The truck operations will be centralised in Portland at the Freightliner headquarters, while Daimler-Benz's car sales activities will remain the responsibility of Mercedes-Benz of North America in Montvale, New Jersey.

Daimler-Benz increased car sales in North America last year by 18 per cent to 65,810 units, despite the continuing deep recession in the general U.S. car market. About 78 per cent of Mercedes-Benz cars sold were diesel-powered

Total group seeks to stay out of chemicals shake-up

BY TERRY DODSWORTH IN PARIS

ONE OF France's two big oil groups, Compagnie Francaise des Petroles (CFP), which operates under the Total title, has told the Government that it wants no part in the planned reorganisation of the chemicals industry announced two weeks ago.

Commenting on the scheme, M Granier de Lilliac, chairman of CFP, said that "simple equity" demanded that the company should be allowed to sever its links with its petrochemical activities. It argues that its proposed role as a minority shareholder in the big new chemicals organisation being created by the authorities would be too risky.

Under the government plan, CFP would have seen its 50 per cent participation in two groups, Ato-Chimie and Chloe, substantially reduced.

Although no figures have been put on the project, the idea was to hand over control to Elf-Aquitaine, the other big French oil group. Elf already has a 50 per cent shareholding in Ato and Chloe, but has been selected by the Government to play a much stronger role in the chemicals industry.

CFP, is clearly worried by the prospect of having to take a subordinate role to Elf in the planned new group. M de Lilliac emphasised that it was a sound principle of business management to have control of important assets at a time of reorganisation.

In addition, the restructuring of the company around Elf could involve heavy expenditure by the shareholders. Part of the government plan is to merge the loss-making chemicals interests of Pechiney-Ugine-Kuhlmann into Ato and Chloe.

Rather than be involved in this reorganisation, M de Lilliac has asked the Government to arrange some method of buying out its shareholdings in Ato-Chimie. Since the company had been affected by government decisions in the petro-chemicals sector, he said, it was only fair that it should be able to sell its assets for investment in other parts of the group.

The Government response to this plea remains to be seen. Traditionally, the two big French oil companies are extremely sensitive to the Government's wishes, partly because of the authorities' control over the oil products market, and partly because of direct state participation in their equity.

At CFP, 40 per cent of the voting shares are controlled by the Government.

Hamilton Brothers in Volvo talks

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

VOLVO acknowledged yesterday that Hamilton Brothers is among the oil companies with which it has been discussing future co-operation. It declined to comment on a press report that it was negotiating the purchase of a stake in the U.S. company.

In the prospectus for its SKr 600m ($105m) rights issue published in May, Volvo announced that it was seeking "an existing oil company with good oil and gas reserves" for takeover by its subsidiary, Volvo Energy.

Formed in 1980 with a capital of SKr 50m, Volvo Energy is seen as the vehicle for the Swedish group's diversification into the oil business. Volvo Energy owns 15 per cent of two concessions in the UK sector of the North Sea, where no wells have yet been drilled, and minor shares in two concessions on the Norwegian shelf. It owns slightly more than 20 per cent of International Energy Development Corporation (IEDC), in which it is partnered by the Kuwait Petroleum Corporation.

Volvo Energy has suffered a substantial loss on a Norwegian company which built modules for offshore platforms in which it invested with a Norwegian partner. Last year, its first full year of operation, Volvo Energy invested SKr 315m and reported a pre-tax loss of SKr 160m.

In the first half of 1981 it bought Fred Olsen, which owned rights in both producing oilfields and concessions in the U.S. The Volvo management has recognised the need to buy a share of a substantial and profitable oil company in order to provide its subsidiary with "appropriate" cash flow.

By taking over the Beijerinvest Group last year Volvo also acquired Scandinavian Trading Company, a profitable oil trading concern with a 1981 turnover of SKr 19bn. Scandinavian Trading has bought shares in Texan Oil and Gas and has invested in three offshore rigs.

Interest costs hit Atlas Copco

BY OUR NORDIC EDITOR, IN STOCKHOLM

PRE-TAX profit of Atlas Copco, the Swedish compressed air and hydraulic machinery group, declined by SKr 7m to SKr 155m ($27m) in the first quarter despite a 17 per cent increase in sales to SKr 1.88bn ($327m).

Trading profit climbed by SKr 19m to SKr 277m, but depreciation charges were SKr 7m higher and net interest costs grew from SKr 74m in the first three months of 1981 to SKr 90m. The profit margin was 8.3 per cent against 10 per cent last year.

The return on capital employed (excluding non-interest bearing current liabilities) was 20.2 per cent in the 12 months to the end of March compared with 19.8 per cent in the full year 1981. Profit per share for the 12 months was SKr 16.10 against SKr 16.20 for 1981.

During the quarter, sluggish demand for mining and construction equipment in such countries as Australia, Canada, Mexico and Peru was compensated by an upturn in a large number of West European markets, including Norway, Britain, West Germany, Italy and Spain.

Group order bookings totalled SKr 2.1bn, an increase of 16 per cent over the previous year's first quarter.

Mr Tom Wachtmeister, managing director, notes indications of greater industrial output in some west European markets, but comments that economic recovery is late in coming.

Atlas Copco's strong market position offers prospects for favourable development during 1982, but exchange rates continue to be a factor of uncertainty, Mr Wachtmeister adds.

No profit forecast is given for the rest of the current year. Last year Atlas Copco turned in earnings of SKr 570m, an advance of SKr 128m, on turnover of SKr 7.5bn.

Profits doubled at Novotel

By David White in Paris

NOVOTEL, the biggest French hotel operator, has announced 1981 consolidated net profits almost double those of 1980 at FFr 66.6m ($11m) on turnover 23 per cent higher at FFr 1.76bn.

The 1980 comparison was adjusted to include the Sofitel chain which Novotel took over at the end of that year from Jacques Borel International, the catering chain with which it is now in the process of merging.

The sharp rise in last year's profits was partly accounted for by a long-term capital gain of FFr 20.9m. The group said growth had continued this year, with turnover at its fully-owned and franchised hotels rising at the same rate of 23 per cent over the corresponding period a year ago, to FFr 914m.

This growth was led by its foreign interests, which showed a 30 per cent rise—compared with 17 per cent in France—and made up 45 per cent of the total.

Novotel, which includes the Ibis and Mercure chains, currently has 360 hotels in operation or under construction in 37 countries.

Jacques Borel International, which ran into trouble with Sofitel in the late 1970s, had earlier announced net profits of FFr 33.4m for 1981, on turnover of FFr 2.5bn.

Net earnings at Banesto register strong advance

BY ROBERT GRAHAM IN MADRID

BANESTO, Spain's largest commercial bank, has announced a 41 per cent increase in net profits to Pta 15.4bn ($154m) for 1981. Sr Jose Maria Aguirre, the bank's 84 year old chief executive, told shareholders at the annual meeting that the results were "magnificent."

The bank is maintaining its cautious approach and is holding the dividend to Pta 6bn and setting aside Pta 6bn for reserves. Reserves now stand at Pta 61bn and total assets at Pta 88bn.

The strong performance is attributed to the low cost of the bank's liabilities at a time of high interest rates. The cost of Banesto's deposits is 0.7 per cent less than that of the other big seven banks. In good measure this is due to Banesto's extensive presence in rural areas. It also has a smaller percentage of current accounts and a greater percentage of savings accounts than the other big seven banks. Deposits at the year-end totalled Pta 1,183bn.

Another notable feature in the results is a change in provisions for doubtful debts and loan losses. In 1980 these jumped from Pta 8.4bn to Pta 16.8bn largely as a result of the takeover of Banco de Madrid and coping with the industrial offshoot Cadesbank. In 1981 provisions in this respect dropped to Pta 14bn and overall provisions for write-offs rose only slightly from Pta 21.6bn to Pta 22.4bn, an increase mainly coming from portfolio adjustments.

DG Bank shows rapid recovery

By Our Financial Staff

DG BANK, the major West German co-operative bank, increased earnings by 40 per cent in the first four months of 1982. Herr Helmut Guthardt, managing board chairman, said the performance this year suggests that the omission of the 1981 dividend was a 'one-time occurrence."

The DG Bank chief said that the downtrend in interest rates this year had boosted earnings.

The bank's interest spread, a key indicator of profitability, expanded to 0.58 per cent in the four months from 0.42 per cent on average in 1981 and 0.36 per cent in 1980.

For 1981, DG Bank posted net group profit of DM 52.5m ($23m), down from DM 69.4m in 1980.

INTERNATIONAL APPOINTMENTS

Senior posts at Getty Oil

● GETTY OIL COMPANY has elected Mr Jim E. Shamas a corporate vice-president and Mr R. D. Copley Jr general counsel. Mr Shamas becomes vice-president, pipelines and terminals, a new position. He also remains president and chief executive officer of Western Crude Oil, Inc., a wholly-owned subsidiary based in Denver, Colorado. Mr Copley who was vice-president, chief counsel and secretary, becomes vice-president, general counsel and secretary. Mr Copley succeeds the late Mr C. Lansing Hays, Jr. as general counsel.

● GENERAL SIGNAL CORP has elected Mr Ralph E. Bailey to its board. He is chairman of Conoco Inc. and a vice chairman of the Du Pont Company, of which Conoco is a subsidiary. Mr Bailey is also a director of J. P. Morgan and Company, Inc, and its subsidiary, Morgan Guaranty Trust Company of New York.

● Mr James F. McCloud and Mr Richard N. Gary have been elected directors of KAISER STEEL CORPORATION. Mr McCloud is president and chief operating officer of Kaiser Engineers, Inc, a wholly-owned subsidiary of Raymond International Inc. Mr Gary is executive vice president of Kaiser Steel. Mr Robert J. Brignano, has been elected vice president, planning, and controller of Kaiser Steel Corp. effective immediately. He has been corporate controller since 1980.

● WHITNEY COMMUNICATIONS CORP has elected Mr Walter N. Thayer chairman and chief executive officer and Mr Charles H. G. Rees president and chief operating officer. Mr Thayer succeeds the late Mr John Hay Whitney. Mr Thayer has been president and a director of Whitney Communications Corp. since 1958. Mr Rees a general partner of Whitcom Investment Company, is currently senior vice president, secretary and a director of Whitney Communications Corporation.

● Mr Richard G. Rogers has been elected president and chief operating officer and Mr Hans A. Wolf has been elected chief administrative officer of SYNTEX CORP. Mr Rogers, Mr Wolf and Dr John H. Fried, senior vice president of Syntex Corp and president of Syntex research division, have also been elected to the board.

● Mr William B. Sayre, head of the agricultural property management division of the Continental Illinois Bank, has become a vice-president of ANGLO AMERICAN AGRICULTURE USA INC.

● Mr Ray J. Savage has been appointed vice-president and manager of the newly-opened Montreal office of National Westminster Bank's wholly-owned subsidiary, NATIONAL WESTMINSTER BANK OF CANADA. Previously he worked for the NatWest Group in London and Brussels and immediately prior to taking up his new duties spent three years in Paris. The Montreal office supplements the existing representation of Calgary, Toronto and Vancouver.

Mitsubishi Electric cuts dividend after profits dip

BY OUR FINANCIAL STAFF

MITSUBISHI ELECTRIC, Japan's third largest integrated maker of electrical equipment, has reported a dip in unconsolidated net profits for the year ended March, mainly because of a higher tax rate.

Net profits were down 4.3 per cent to Y22.2bn ($93m) while pre-tax profits rose by 1.4 per cent to Y47.7bn. Sales grew more strongly by 7.7 per cent to Y1,315bn ($5.5bn).

Reflecting the profits performance, the company has cut its dividend to Y6 a share from Y7. Earnings per share fell to Y14.14 from Y15.42.

The sluggish growth of sales and pre-tax profits was attributed to the stagnant domestic economy which discouraged consumer spending. Total sales had grown almost twice as fast as a year earlier.

Sales of electric motors and other automotive related products grew by only 1 per cent. Consumer electrical product sales advanced by 8 per cent, with video tape recorders and video screen systems being among the better selling products.

The best performance came from heavy machinery. Sales grew 13 per cent, mainly because of strong demand from steel makers who are investing in plant to make seamless pipes and from electric power utilities which, for example, are building a number of nuclear power plants.

Despite the recession in major industrial countries, Mitsubishi's exports rose by 2 per cent to account for 21.9 per cent of total sales.

Export of such heavy machinery as transformers and electrical equipment for railway rolling stock to southeast Asia, the Middle East and Central and South America were strong and offset weak exports to Europe and the U.S.

Mitsubishi is not expecting much of a pick up this year in the general economy or in personal spending. But it expects demand for computers and semiconductors to help push up sales to Y1,430bn. Net profits however, are forecast to be about the same at Y22.5bn.

Doubled VTR sales boost Sharp

BY RICHARD C. HANSON IN TOKYO

SHARP CORPORATION, one of Japan's leading electronic appliance and business machine manufacturers, has reported record profits and sales for the year ended March 31. Net profits jumped by 25.1 per cent to Y20.38bn ($86m) and sales rose 15.7 per cent to Y580.1bn ($2.45bn).

The dividend total for the year has been raised from Y7.5 to Y8.25 reflecting the healthy performance.

Despite generally poor consumer demand in Japan, Sharp lifted sales of electronic appliances by 25.6 per cent to account for nearly 30 per cent of the total against 26 per cent in 1980-81.

Video tape recorders (VTRs) were among the best selling products for most of the year, and sales more than doubled in value. Also up smartly, by 122 per cent, were sales of personal and pocket computers, an area in which Sharp claims to rank among the top in Japan.

The company is one of the few stereo equipment producers in Japan to have avoided the full force of an industry-wide recession. It's new audio systems helped boost stereo sales by 73 per cent.

Paradoxically, the product with the fastest growth in sales for the electronics specialist was the rather humble portable oil stove. Strong overseas demand lifted sales by 152 per cent to Y10bn.

Exports overall outpaced the growth of domestic sales, rising by 17.8 per cent in value to account for 57.2 per cent, up one point more than a year earlier.

Sharp is forecasting sales and profits growth of 10 per cent and 20 per cent respectively this year. The company plans to spend about Y50bn in the year, compared with Y46bn in 1981-1982, on expanding plant and equipment. Along with increased capacity for VTR production, additions will be made to increase semiconductor production and a technology research centre.

Mini-car demand lifts Fuji Heavy Industries

By Yoko Shibata in Tokyo

FUJI HEAVY Industries, the manufacturer of Subaru cars, has reported buoyant unconsolidated pre-tax profits for the year ended March 31 1982, thanks to better than expected sales of mini-cars in the domestic market and an improvement in export profitability helped by the yen's depreciation against the U.S. dollar.

Pre-tax profits jumped by 63.4 per cent to a record Y29.3bn ($124m). Due to a sharp rise in corporate tax, however, net profits rose by only 7.7 per cent to Y12.2bn on record sales of Y533.76bn ($2.25bn) up by 14.8 per cent from the previous year. Profits per share advanced to Y40.81 from Y37.93 and the dividend is raised to Y7 a share from Y6.

Car sales rose by 11 per cent to 490,230 units, yielding an 18 per cent growth in value terms to represent 82 per cent of total turnover. Domestic car sales increased by 29 per cent to 249,479 units thanks to the successful marketing of 550 cc mini-cars, mini-stationwagons, and mini-vans. In particular, production of a remodelled front-wheel drive mini-stationwagon, the FF REX Combi which was introduced last September, could not meet demand.

Export sales of cars declined by 3 per cent to 240,468 units, but overall exports rose by 15 per cent in value to Y244.9bn, or 46 per cent of the total.

Sales of rolling stock again accounted for 7 per cent of the total while sales of buses rose by 7 per cent to account for 5.1 per cent. Aircraft division sales, representing 3.1 per cent of the total increased by only 1 per cent and machinery division sales dropped by 6 per cent to account for 3.4 per cent.

The upsurge in earnings is attributed to the favourable effects of volume production of mini-cars and the yen's depreciation against the U.S. dollar. These factors more than offset the negative effects of the small dip in car export volume.

Net profits are expected to reach Y13bn, up 7 per cent, in the current year, and sales are projected at Y570bn, also up 7 per cent.

Setback for Seiko watch group

BY OUR TOKYO CORRESPONDENT

K. HATTORI and Company, the core of the Seiko watch group, suffered a 29.1 per cent drop in net profit, to Y2.4bn ($10m) in the year to March as a result of the prolonged world-wide recession gripping the watch industry.

Sales rose by only 0.4 per cent to Y364.8bn ($1.54bn) as domestic demand remained deep in the doldrums. Exports picked up by 9.2 per cent, to account for 49.7 per cent of sales compared with 45.6 per cent in 1980-81. Demand from overseas markets, however, fell sharply in the latter part of the year under the weight of over-production and price cutting.

Orient Watch, listed on the second section of the Tokyo Stock Exchange, also reported a steep 25.8 per cent drop in net profit to Y730m, for the year on sales down by 12 per cent to Y43.96bn.

Hattori sees no relief from the current recession in the industry, except for a recovery in the economy in general. The company, now the largest watch producer in the world, lays blame for the industry's dilemma as much on excessive competition among watchmakers in Japan as on the poor state of the economy. It believes that domestic competition has been even more of a culprit than the emergence of competitors in Hong Kong and elsewhere.

Watch sales, about three-quarters of Hattori's business, slipped by 2.5 per cent to Y276bn. The only division to show substantial growth was speciality machines. The machines still account for only 4.3 per cent of all sales, but have risen in value by 36 per cent.

The company says there are no quick solutions to the industry's troubles. Production at Hattori's three main Japanese production subsidiaries is not being cut, but neither is it expected to expand.

Slowdown expected by Lion Match

By Thomas Sparks in Johannesburg

LION MATCH, the consumer products group ultimately controlled by Allegheny International of the U.S., has maintained its trading momentum in the six months ended March.

First-half operating profit before tax, interest, and Lifo (last in first out) accounting adjustments increased to R6.23m ($5.8m) from R5.07m on turnover of R34.1m against R29.2m. For the year ended September 1981, operating profit was R11.36m on sales of R63m.

The financial year-end is being changed to November 30 to coincide with that of Match's immediate controlling company, Wilkinson Sword of the UK. The directors believe a downturn in the business cycle will have a greater impact on operations, in the current eight months.

Distributable profits for the current 14-month accounting period are expected to be in line with those of last year.

An improved interim dividend of 19 cents a share has been declared from first half earnings of 39.05 cents a share. Last year the interim dividend was 18 cents and first-half earnings 36.16 cents a share.

Depreciation costs limit earnings growth at Oki

BY OUR TOKYO STAFF

OKI ELECTRIC, Japan's third largest manufacturer of communication equipment, has reported a slowdown in growth of pre-tax profits in the year ended March 31 because of increased depreciation charges. This resulted from sharply higher capital expenditure by the integrated circuit division.

Pre-tax profits rose only 2.7 per cent to Y7.7bn ($32.5m) despite a 15.1 per cent increase in turnover to Y214.17bn ($904m). Net profit fell 13.3 per cent to Y3.39bn because of a subsidiary's losses. Profits per share were Y9.60, compared with Y11.15.

Sales of telecommunication systems advanced 12 per cent to account for 33 per cent of the total, supported by good turnover of facsimile equipment.

Data processing system sales rose 16 per cent to account for 51 per cent of the total, following brisk demand for financial terminals and active overseas demand for printers.

Sales of electronics devices, centering on integrated circuits (ICs) rose 21 per cent to account for 14 per cent of the total. With favourable overseas sales of office automation equipment such as facsimile machines and printers, overall exports advanced 64 per cent to account for 17 per cent of the total.

For several years, the company has maintained a high level of capital investment in its integrated circuit division. Oki pumped in Y22.9bn in 1980-81, and Y24.6bn in 1981-82, and is planning with Y18.5bn for 1982-83. The company's new Miyazaki plant for manufacturing several large scale integration products, including 64K dynamic RAMs, began full operation last August.

Depreciation charges in 1981-82 totalled Y12bn up by 45 per cent over the previous year.

Continued brisk sales of office automation equipment are expected in the current year, and a contribution to earnings from production of ICs at the Miyazaki plant is also expected.

However, depreciation charges of approximately Y16bn resulting from the continued high level of capital investment are expected to limit earnings growth.

Pre-tax profits are projected at Y8bn, up 4 per cent and net profits at Y3.7bn, up 9 per cent. Sales are expected to reach Y254bn, up 19 per cent on 1981-82.

Singapore Land well ahead midway

By Georgie Lee in Singapore

SINGAPORE LAND, a major local property group, has reported a rise of 83 per cent in pre-tax earnings to S$5.65m (US$2.7m) for the half-year ended February.

The impetus for the marked improvement was the 66.8 per cent rise in net rental income to S$7.77m as a result of rent renewals at substantially higher rates.

Management fees increased 22 per cent to S$1.86m while interest received dropped 24 per cent as funds were increasingly used to finance development projects.

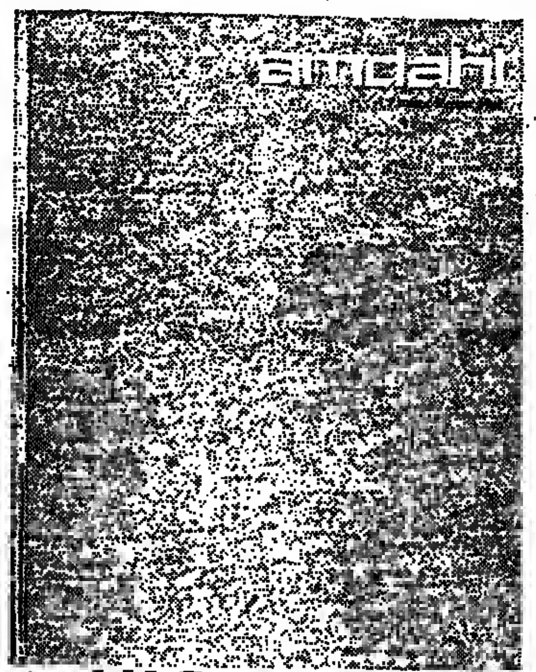
Management and administrative expenses rose 30 per cent to S$2.7m because of higher wages and increased staffing requirements. Interest expenses were marginally lower at S$2.22m due to lower interest rates.

Singapore Land said that Shing Kwan House and Clifford Centre are both fully let and leases continue to be renewed at current market rents as they fall due.

However, some of its tenants in the two buildings will be moving to another of its prestigeous buildings, Raffles Tower which is now substantially completed and some loss of rental income in the second half of the year can be expected until the vacated space is let.

North American Companies

Investors Update 2



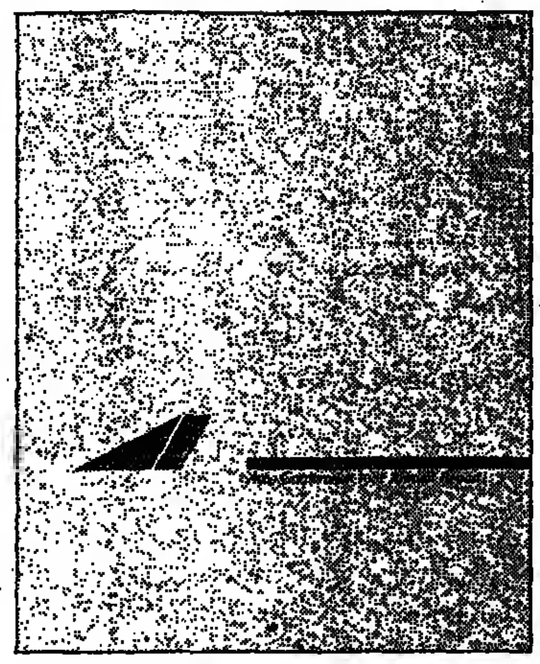
Amdahl Corporation

Amdahl is a high technology company engaged in the state-of-the-art design, development, manufacture and marketing of large mainframe computers, software and *communications systems equipment*. These products are used by large computer users in the full spectrum of commercial and scientific data processing environments. In seven year's Amdahl's revenues have grown from $.0 to $443 million. Shareholders equity is $266 million and stock market value is estimated at *$600 million*.

American Brands, Inc.

American Brands' product lines include tobacco, office products and supplies, hardware, food, distilled beverages, and life insurance. *A leading subsidiary is Gallaher Limited. 1981 sales totaled $6.54* billion and net income was a record $386 million, or $6.68 per Common share.

Over the past five years, earnings per share have grown at a compound annual rate of 18% and dividends at 20%. The return on *Common stockholders' equity in 1981 was 20%.*

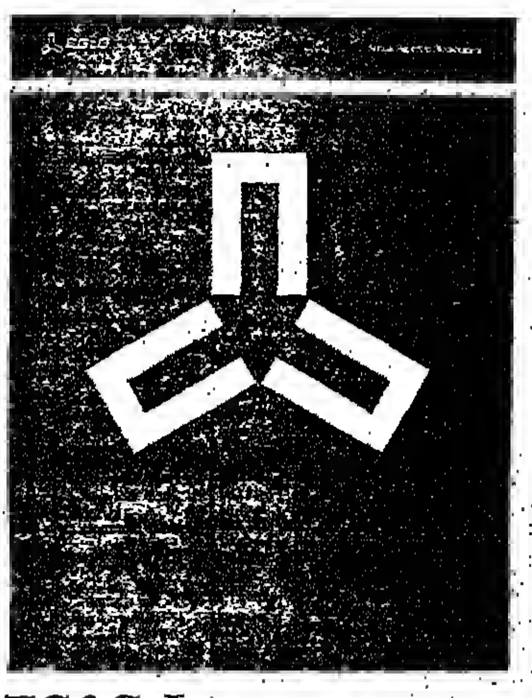


Avco Corporation

Avco Corporation (NYSE: AV) is a diversified international company with major interests in financial services, aerospace, defense and *high technology. At year-end Avco reported $2.3 billion* in revenues, more than $6 billion in assets and a $2.2 billion backlog. During the next five years, the greatest opportunities for growth will be in its manufacturing operations, primarily its aerospace and defense-related activities due to involvement in such major programs *as the M1 main battle tank*, the *C-5 military transport*, MX missile and the B-1B bomber.

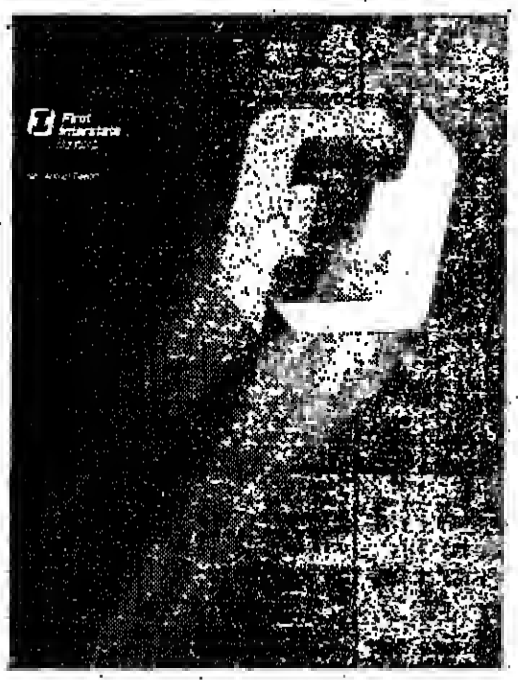
Chesebrough-Pond's Inc.

Chesebrough-Pond's achieved its 26th consecutive year of consistent profitable growth in 1981. Net income increased 14.6% to $114.8 *million. Sales rose 10.8% to $1.53 billion*. Well-known brand names for this diversified world wide marketer of consumer products for the family include: Ragu, Health-tex, Bass, Pond's, Adolph's, Vaseline, Cutex, Intensive Care, Cachet, Wind Song, Aviance, Chimere, Prince Matchabelli, Q-tips, Aziza, Rave, Peggy Sage, Vasenol, *Louis Philippe and Patrich's*.



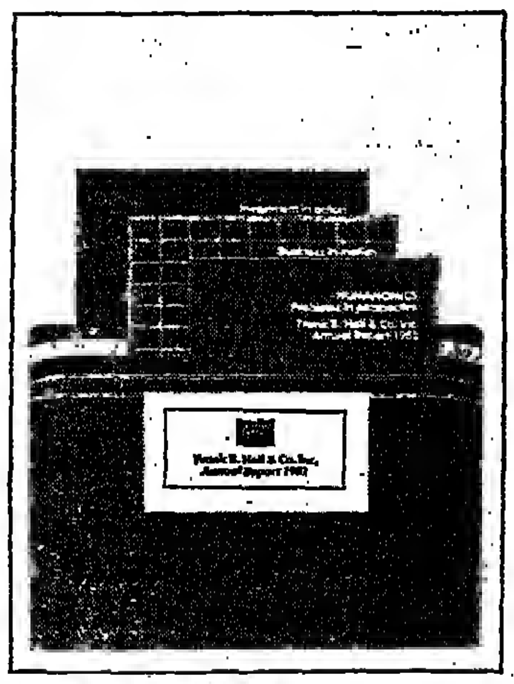
EG&G, Inc.

EG&G, a diversified technology company, concluded its twelfth consecutive year of record performance in 1981. Sales increased 14% to $704 million, while net income increased 27% to $34 million. Operations are divided into five segments: Instruments; Components; Environmental and Biomedical Services; Custom Services and Systems; and Department of Energy Technical Support. Dividends have been paid for seventeen consecutive years, and EG&G has split its stock 2-for-1 twice in the last three years.



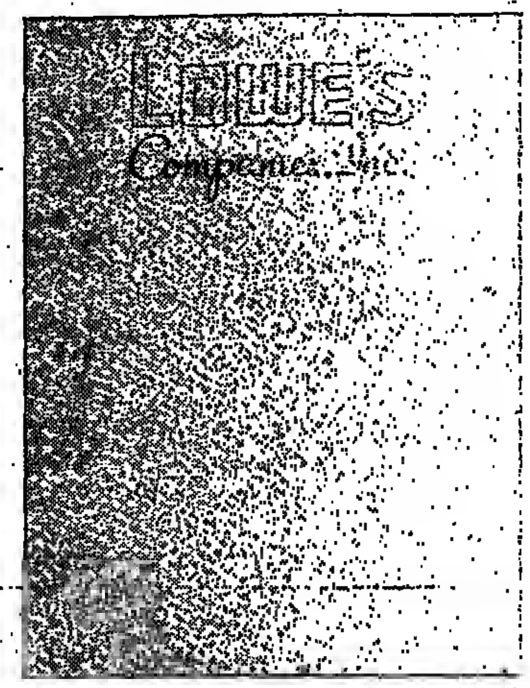
First Interstate Bancorp

First Interstate Bancorp, the 8th largest U.S. banking company with assets of $37 billion, is the country's second largest retail banking organization. Operating earnings totalled *$246.5 million for 1981*, marking the 6th consecutive year of record earnings, and ranking First Interstate first in return on assets and second in return on equity among the nation's 15 largest bank holding companies. Earnings have grown at an annual compound rate of 21.5% over the past 5 years. At $1.99 a share paid in 1981, First Interstate's dividends were up 11.2% over 1980, the 5th increase in 42 months. First Interstate's electronic network links 6,000 teller terminals and more than 600 Day and Night automated teller machines in 901 banking offices in the West.



Frank B. Hall & Co. Inc.

A leading international insurance services firm, Frank B. Hall revenues in 1981 increased 13% to $353,470,000, net income rose 6.5% to $30,467,000, per share earnings increased 1.5% to $2.65. Revenues have more than doubled during the last 5 years. Since 1975 dividends have increased at a compound annual rate of 22%. Currently the Company pays $1.70 annual dividend. NYSE symbol FBH. The Hall Report comes in a special container which converts to a convenient personal recordkeeping file.

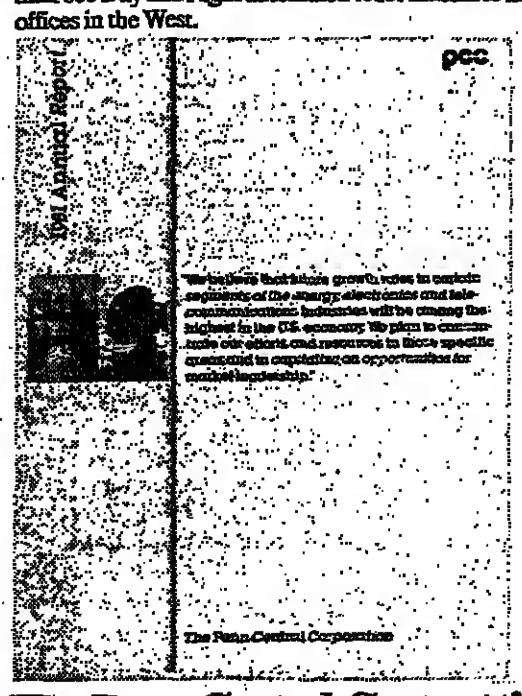


Lowe's Companies, Inc.

Lowe's 1981 reports on a difficult, challenging and profitable year and looks back on 20 dynamic years as a public company. Particular emphasis, however, is on the next 20 years with some attempts to divine the dimensions of the future. Lowe's shares are listed on the New York, Pacific and London Stock Exchanges. Ticker Symbol: LOW.

NOVA, AN ALBERTA CORPORATION

NOVA, AN ALBERTA CORPORATION is a major, independent Canadian-owned company active in natural gas transmission, resource development, petrochemicals and manufacturing. Interests include participation in the Alaska Highway and Trans Quebec and *Maritimes* pipelines, expansion of Alberta's world-scale petrochemicals industry and majority ownership in Husky Oil Ltd. Assets currently total over $5 billion, and revenues for 1981 were $2.7 billion.

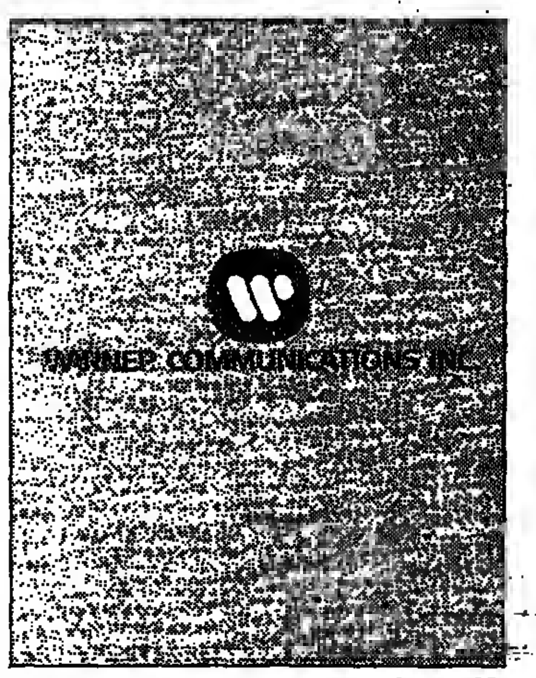


The Penn Central Corporation

Penn Central has achieved rapid growth since its reorganization in October 1978. Through acquisitions, PC has secured market leader*ship positions in industries that are expected to yield substantial* growth for the 1980's: energy equipment and services; and electronics and telecommunications. (NYSE:PC)

	1981	1980	1979	1978*
Revenues (millions)	$3,348.8	$2,013.7	$1,087.3	$667.1
Net Income per Share	$4.18	$1.81	$1.61	$1.53
Book Value per Share	$40.95	$33.81	$14.10	$11.11

*Proforma



Warner Communications Inc.

Warner Communications Inc. (WCI) is among the worldwide leaders in consumer electronics, led by Atari; recorded music, *through the Warner Bros., Elektra/Asylum, and Atlantic record* labels; filmed entertainment, through Warner Bros.; and direct response marketing, through Franklin Mint. WCI also has operations in cable television, through 50%-owned Warner Amex; publishing; cosmetics and fragrances; and soccer. Over the past ten years, earnings per share have grown at a 24% compound annual rate. 1981 revenues increased 56%, net income 65% and earnings per *share 50% over 1980; WCI's indicated dividend for 1982 will be 47%* higher than 1981.

Western Union Corporation

Western Union, the leading carrier of record message and data traffic in the U.S., provides a broad range of telecommunications *services to business, government and the public. Revenues for 1981:* $906.7 million; Income: $59 million.

The Company's extensive communications network includes a transcontinental microwave system and Westar* satellites. To continue its satellite preeminence, WU is launching two new satellites in 1982. International Telex service is scheduled to begin later this year.

Please send me the following Annual Reports:

- ☐ 13 Allis-Chalmers Corporation
- ☐ 14 AMCA International
- ☐ 15 Amdahl Corporation
- ☐ 16 American Brands, Inc.
- ☐ 17 Avco Corporation
- ☐ 18 Chesebrough-Pond's Inc.
- ☐ 19 Du Pont Company
- ☐ 20 EDO Corporation
- ☐ 21 EG&G, Inc.
- ☐ 22 First Interstate Bancorp
- ☐ 23 Frank B. Hall & Co. Inc.
- ☐ 24 Lowe's Companies, Inc.
- ☐ 25 NICOR Inc.
- ☐ 26 NL Industries, Inc.
- ☐ 27 NOVA, AN ALBERTA CORPORATION
- ☐ 28 The Penn Central Corporation
- ☐ 29 Warner Communications Inc.
- ☐ 30 Western Union Corporation

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- ☐ 01 American International Group, Inc.
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WORLD STOCK MARKETS

Prime rate cut lifts Wall St

A CUT in Prime Rate to 16 per cent from 16½ per cent by two banks yesterday morning gave Wall Street an early uplift in a reasonable turnover.

Analysts said investors started buying into the market late the previous day after two banks cut their broker loan rate to 14¾ per cent from 15¼. The rally was further supported early yesterday by the Prime Rate cuts made by Citibank and Mitsui Manufacturers.

The Dow Jones Industrial Average improved 3.80 to 840.18 and the NYSE All Common Index 0.28 to 66.45, while advances led declines by a ratio of seven-to-four. The trading pace picked up to 32.25m shares from the rather low level of 27.55m seen at 1 pm on Monday.

Blue Chip stocks firmed in heavy trading as institutional investors increased their activity. On the actives list, General Motors hardened ⅜ to $43¾, Exxon ⅛ to $28⅛, ATT ⅛ to $53⅞, and IBM ⅛ to $62⅝.

Volume leader Tesoro Petroleum was up $1 to $22⅜.

Phillips Petroleum was up $1 at $32⅞ in active trading on news that it has discovered further oil and gas reserves off the Ivory Coast.

Chicago-Milwaukee, up 6¼ on Monday, added 4¾ at $57¾. The company is to sell its Milwaukee Road subsidiary to Canadian National Railway.

Sundstrand fell 2½ to $31 after lowering its earnings forecast.

THE AMERICAN SE Market Value Index recovered 1.38 to 270.31 at 1 pm on volume of 2.47m shares (2.37m).

Canada

Responding to news of some lower U.S. interest rates, Canadian markets displayed a firming tendency in light early dealings yesterday following the holiday-lengthened weekend.

The Toronto Composite Index was 5.0 higher at 1,516.4 at noon, while the Oil and Gas Index rose 17.7 to 2,676.3. However, the Gold shares index lost 44.4 to 1,946.8.

Among the actives, Turbo Resources was off 7 cents at C$1.52, Gulf Canada rose ⅛ to C$15⅛, Royal Bank was up ⅛ at C$20⅛, and Dome Petroleum was unchanged at C$7⅛.

Dickenson Mines, up 15 cents at C$1.70, said it has agreed to sell to Sullivan Mines certain mining assets for C$10.25m and other considerations.

Tokyo

The market accelerated its recent decline in further light trading yesterday. Major depressants were the likelihood that the Government will be forced to issue additional National Bonds to cover its revenue shortfalls and the yen's latest weakness against the U.S. dollar.

The continuously thin trading was traced in part to the fact that investors were staying out of the market to await developments at this year's economic summit meeting of seven industrial countries, scheduled for June in France. The Falklands fighting and the lack of a clear trend in U.S. interest rate movements were also discouraging active trading.

The Nikkei-Dow Jones Average dipped 39.88 to 7,428.40 and the Tokyo SE Index 2.43 to 552.64. Falls outpaced advances by 367 to 216 on the First Market following volume of 170m shares, against Monday's 130m.

Analysts said it is difficult to assess yet what impact the issue of additional Bonds would have, but said any consequent rise in interest rates would deprive the stock market of funds.

Many Camera shares fell on news that Canon is planning a cutback in production in the near future. Canon weakened Y26 to Y823 and Olympus Y15 to Y892.

Most Blue Chips lost ground, along with recently strong Pharmaceuticals. Oil shares were broadly higher, however, with traders citing anticipation of a possible tightening of the world oil market towards the end of the year. Nippon Oil was up Y7 at Y920.

Firm exceptions among the Blue Chips were Fuji Photo Film, Y20 higher at Y1,460, and Victor, Y40 stronger at Y2,350, mainly on expectations of better earnings as a result of strong sales of magnetic tapes for video tape recorders.

Germany

Light professional buying in a market short of stock left shares generally firmer, reversing the recent easier trend. The Commerzbank Index rallied 3.9 to 700.3.

Hope that the Falklands conflict may be nearing an end was cited by brokers as a positive factor.

Motor issues were also bolstered by buoyant production and export figures for April. Daimler put on DM 2.50 to DM 277.50 and BMW DM 1.10 to DM 207, although Volkswagen was only 10 pfennigs up at DM 152.60.

In Bond trading, prices continued their downtrend, with Public Authority issues recording losses to 45 pfennigs, while Euromark Bonds also softened.

Paris

Stock prices were marked down across a broad front again yesterday in fairly light volume. The Indicateur de Tendance index receded 1.5 more to 119.5.

Analysts said the market's weakness was directly related to the announcement that the French Government will float a FFr 10bn state loan on the domestic bond market early next month. This will divert liquidity from the equity market, and investors are expected to stay away from the Bourse until the operation is completed.

Hong Kong

A decline in some U.S. interest rates on Monday was met with a burst of enthusiasm on the Hong Kong stock market yesterday, with prices rising steadily throughout the session. The Hang Seng Index climbed 29.39 to 1,383.32, its best one-day gain in almost three weeks. Combined turnover was a moderate HK$262.59m, but was a good increase on Monday's light HK$180.72m.

Brokers said the primary influence was a cut in some U.S. broker loan rates, which is hoped will lead to a reduction in prime rates soon. Several analysts said that despite the local economy's current relative lull, prospects would be very bright if interest rates did come down.

Australia

Some Asian buying interest concentrated in several leading stocks gave a brighter look to the market yesterday.

After declining for the past eight consecutive days, the All Ordinaries Index picked up 3.6 to 509.5, although the overall market trend was rather mixed. The Oil and Gas Index put on 3.9 to 486.1 and Metals and Minerals 3.0 to 370.4. The index for 50 leading stocks rose 4.5 to 464.7.

Market analysts said buying orders from Hong Kong and Singapore had a marked influence on the market because of the current low turnover. However, they added that activity from London would be needed before prices shake off their mainly downward trend.

BHP moved ahead 16 cents to A$8.06 and CSR firmed 3 cents to A$3.25, while Minings issue CRA improved 10 cents to A$3.12.

Bond, after Monday's advance of 14 cents, added 4 cents at A$1.28 ahead of an expected announcement regarding the company's pending sale of a *major asset*.

Santos, in which Bond has a 15 per cent stake, was 24 cents up at A$5.74, while Cooper Basin participant, Basin Oil, in which Bond also has a substantial stake, was 5 cents higher at A$1.80.

Elsewhere in the Oil and Gas sector, Vamgas gained 20 cents to A$5.10 and Crusader Oil 6 cents to A$5.16.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

Stock	May 21	May 20
AMCA Intl.	16⅛	16⅞
Abitibi	15¼	16¼
Agnico Eagle	6½	6¾
Alcan Alumin	22⅞	22⅞
Algoma Steel	31	31
Asbestos	12	11⅞

BELGIUM (continued)

May 25	Price Frs.	+ or −
Petrofina	4,658	−240
Royale Belge	5,000	+60
Soc. Gen. Banq.	9,760	−30
Soc Gen Belge	1,196	−24
Sofina	3,280	−20
Solvay	1,820	−76

HOLLAND

May 25	Price Fls.	+ or −
ACF Holding	84.3	+9.2
Ahold	72.1	−0.9
AKZO	96.2	
ABN	294	+2
AMEV	92.8	+0.6
AMRO	53.5	+0.5
Bredero Cert.	173	−2

AUSTRALIA

May 24	Price Aust. $	+ or −
ANZ Group	3.98	+0.08
Acrow Aust	1.33	
Ampol Pet	1.40	
Assoc. Pulp Pap	1.60	
Audimco	0.11	
Aust. Cons. Ind.	1.51	+0.01
Aust. Guarant.	2.35	

JAPAN (continued)

May 25	Price Yen	+ or −
Kubota	330	
Humgaal	433	+7
Kyoto Ceramic	3,460	−19
Lion	386	+1
Maeda Cons.	581	
Makita	745	
Marubeni	986	+1
Marudai	606	+1

Indices

NEW YORK —DOW JONES

MONTREAL	May 24	May 21	May 29	May 12	1982 High	1982 Low
Industrials	(c)	277.95	276.82	281.86	382.79 (6.1)	270.46 (16.6)
Combined	(c)	260.71	259.07	263.25	316.05 (4.1)	259.07 (21/5)
TORONTO Composite	(c)	1511.5	1502.80	1521.1	1958.8 (6.1)	1502.56 (20.5)

SWEDEN Jacobson & P. (1/1/58)	630.15	632.51	595.05	(c)	656.52 (22/1)	553.32 (29/4)
SWITZERLAND Swiss Bank Cpn. (31/12/58)	255.0	254.6	255.1	(c)	283.1 (11/1)	242.5 (11/5)
WORLD Capital Intl. (1/1/70)	—	136.8	136.0	135.8	147.2 (4/1)	129.7 (17/3)

(**) Saturday May 22: Japan Dow 7434.25 TSE 556.02.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Am. T. & T.	572,200	53⅞xd	−1⅛
Lilco	508,200	15⅝	—
Cities Service	503,000	37⅞	+ ⅛
Aetna Life	467,500	39⅞	− ⅛
Houston Inds.	433,300	19⅜	− ⅛
Hewlett-Packd.	431,700	45⅞	+ ½
Cigna	429,300	39⅞	−1
Exxon	414,300	28⅛	− ⅛
IBM	408,700	62⅝	− ⅜
Tenneco	377,600	25⅞	− ⅛

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LONDON STOCK EXCHANGE

Slow day's trading but rally in equities continues
Index up 5 points more for two-day rise of 20.2

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
May 17	June 3	June 4	June 14
June 7	June 17	June 18	June 28
June 21	July 1	July 2	July 12

* "New time" dealings may take place from 9 am two business days earlier.

The sharp recovery in equity markets on Monday was taken a stage further yesterday, but the pace in the advance slackened considerably following Ministerial caution about the Falklands.

Yesterday's rise in leading shares owed much to the continued absence of sellers, fresh demand being on a modest scale. The announcement of the long-rumoured £130m rights issue from Grand Metropolitan at the start of business had little real impact, but contributed to early caution. Grand Metropolitan opened lower at 197p, but rallied to finish 7 up on balance at 209p.

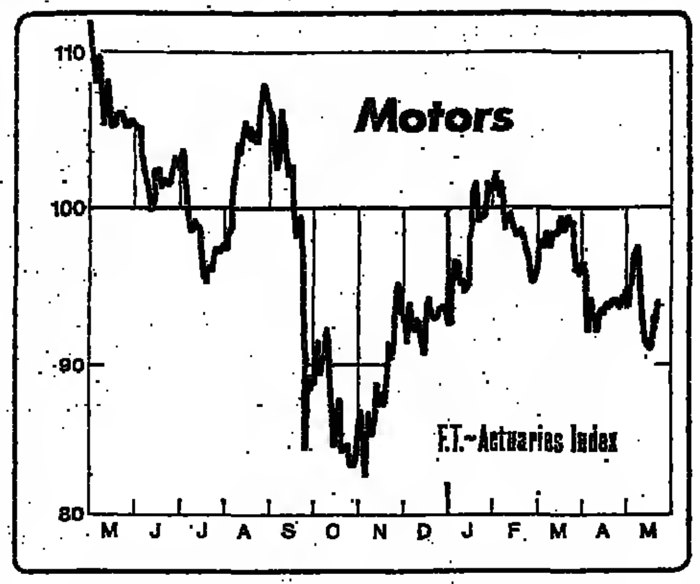
Activity again centred around defence stocks which recorded further gains with Vickers and GEC noteworthy among the leaders. The final tone was fully firm and the FT 30-share index, down a point at the 10 am calculation, closed at the day's best with a rise of 5 points to make a two-day recovery of 20.2 to 580.8—after last week's fall of 30 points.

Among the sectors, Shippings continued to benefit from recent Press mention while better-than-expected first-quarter figures from Phoenix prompted a firmer trend in Composite Insurances.

British Funds passed an extremely quiet trading session, but held steady after the previous day's strong performance. The reduction of ½ per cent in Citibank's prime rate to 16 per cent caused no surprise and made little impression. Quotations moved within narrow limits and closed little altered on balance. Up 0.02 on Monday, the Government Securities index hardened slightly to 68.80.

Phoenix pleases

The modest first-quarter profit announced by Phoenix pleased the market which had been expecting worse figures following recent poor quarterly statements from other major Composites. Consequently, Phoenix pushed forward to close 10 higher at 238p. Still reflecting hopes of a bid from Allianz Versicherung, Eagle Star advanced 9 to 388p, while improvements of 6 and 7 respectively were seen in GRE, 288p, and Royals, 330p. General Accident closed unaltered at 286p with business restrained by the previous day's successful placing by Hill Samuel of 3m shares in GA at 288p per share. Hambro Life added 7 for a two-day gain of 12 to 293p on the annual report. Among Lloyds Brokers, Minet, at 193p, retrieved 11 of the previous day's fall of 16 which stemmed from Corroon and Black's bid denial and the announcement that Reliance Group had acquired a 5 per cent stake in C and B.



An otherwise lacklustre banking sector was featured by a jump of 17 to 332p in Cater Allen following the annual results.

Breweries again displayed modest gains action being helped by another set of pleasing results, this time from Wolverhampton and Dudley which rose 9 to 217p. Allied-Lyons firmed 2 to 93p, and Greenall Whitley, interim figures tomorrow, added a like amount to 129p. Elsewhere, dealings in sherry importers Luis Gordon, suspended on May 13 at 20p, were resumed at 22p, matching the cash offer for the minority from Pedro Domecq.

The undertone in Buildings stayed firm and the leaders usually improved a few pence. Redland, a subdued market recently in the wake of the successful takeover of Cawoods, revived and firmed 4 to 170p; trade started in the new shares which opened at 164p and closed at 168p. Blue Circle and BPB Industries added 2 apiece to 468p and 444p respectively, while Barratt Developments rose 4 to 288p and George Wimpey a penny to 113p. Breedon and Cloud Hill, a rising market recently on speculative interest, put on 3 more to 180p, while Ruberoid gained 6 to 158p in belated response to a broker's circular. J. Carr (Doncaster) firmed 2 to 83p awaiting today's interim results, while revived demand in a thin market lifted Tilbury Group 15 to 455p.

Occasional support and the absence of sellers left ICI 4 dearer at 324p, while demand in a market none-too-well supplied with stock lifted Amersham 5 to a peak of 221p. International Paint, preliminary results due tomorrow, added 3 to 237p, while Croda [illegible] and added a like amount to 81p.

Interest in Stores was at a low ebb and most finished around the overnight levels. Sumrie Clothes continued to respond to speculative demand and added 4 more to 49p, while Moss Bros, also found support, 12 up at 135p.

Defence stocks continued to lead the way in Electricals but the volume of business was smaller than on Monday. United Scientific advanced 10 to 385p and Ferranti 11 to 723p, while GEC firmed 7 more to 900p and British Aerospace added a similar amount to 223p. Plessey closed only a penny dearer at 433p ahead of tomorrow's preliminary results; Unitech put on 8 to 283p and Cable and Wireless 7 to 280p. Speculative buying on revived hopes of a bid from Tyco Laboratories of the U.S., which owns a near-29 per cent stake in the company, helped Muirhead to advance 10 to 156p. BICC found support at 335p, also up 10, and Standard Telephones and Cables gained 7 to 567p.

Noble and Lund stood out in Engineerings, jumping 8½ to 19p, after 20p, on a bid approach. Still reflecting Press comment, Vickers put on 3 more to 158p, while Hawker gained 4 to 324p. Wadkin moved up 3 to 70p and Woodhouse and Rixson hardened 1½ to 25½p.

Foods displayed a firm appearance. Tate and Lyle added 4 to 194p awaiting today's interim results, while British Sugar gained 10 to 465p. J. Sainsbury met fresh support and rose 5 to 615p and Kwik Save improved 4 to 238p. Renewed demand in a thin market lifted Amos Hinton 15 to 240p. Elsewhere, Ranks Hovis McDougall touched 55p before reacting on disappointment with the half-year results to close unchanged on balance at 54½p. F. Pauto added a penny to 14p on the halved loss and the return to the dividend list.

After opening 5 down on confirmation of the widely rumoured £130m rights issue, Grand Metropolitan rallied well on bear closing to finish 7 up on balance at 209p. Among other Hotels and Caterers, Stakis hardened a penny to 65p in response to the interim results.

Gomme better

Miscellaneous industrial leaders took the previous day's gains a useful stage further. Glaxo firmed 7 for a two-day advance of 23 to 672p, while Pilkington, 235p, closed a similar amount dearer. Reed International, with annual figures scheduled for June 7, put on 6 to 310p, while some good buying lifted Turner and Newall a few pence to 66p. Elsewhere, Gomme jumped 4 to 29p to the accompaniment of vague takeover suggestions. Copydex added a similar amount to 48p awaiting today's annual figures, while Huntleigh gained 6 to 142p on defence spending hopes.

Demand ahead of annual results expected next month left Powell Duffryn 6 better at 227p, while Zygal firmed 6 to 84p on further consideration of the results. De La Rue rose 15 to 555p. Kelsey Industries put on 2 to 163p on the increased interim earnings and Jardine Matheson rose 5 to 167p in response to the chairman's encouraging annual statement. Against the trend, Sothebys came on offer and fell 15 to 315p.

Several firm spots emerged in the Leisure sector. Horizon Travel met support and gained 12 to 217p, Intasun put on 4 to 144p and revived demand in a thin market lifted Pleasurama 12 to 175p.

AE, interim results due tomorrow, came under pressure and fell 4 to 45p, sentiment not helped by the disappointing performance of the South African subsidiary. Other component manufacturers continued to make progress, albeit in thin trading. Dowty added 4 more to 136p, while Lucas closed a couple of pence better at 196p. Selected Distributors attracted support on hopes of further rationalisation within the sector. Tate of Leeds were again wanted and added 3 for a two-day jump of 11 to 93p. Adams and Gibbon advanced 6 to a 1982 peak of 101p.

International Thomson put on 7 to 329p. Paper/Printings were rarely changed, with Ault and Wiborg holding at 35p; the price in yesterday's issue was in error.

After opening a shade lower, Properties went better on sporadic support before drifting off to close with modest losses on balance. Land Securities settled a net 2 cheaper at 280p and MEPC a penny off at 197p. British Land moved against the trend, adding 2 to 80p. Capital and Counties softened a penny to 117p awaiting today's preliminary results, while Haslemere [illegible] 358p. Elsewhere, Hongkong Land and Swire Properties added 4 apiece to 84p and 73p respectively on Far-Eastern influences.

Oils firmer

Oils held close to overnight levels before taking a distinctly firmer line in the late trade. Shell closed 6 dearer at 432p and British Petroleum a couple of pence harder at 318p, while Ultramar improved 8 to 423p. Lasmo gained 5 to 340p and Tricentrol 4 to 214p. The Humbly Grove participants came to life after a period of neglect; Carless Capel put on 8 to 175p with the new nil-paid shares a like amount to the good at 35p premium. Candecca also gained 8, to 220p, while Marinex put on 12 to 110p. Jackson Petroleum, dealt in the Unlisted Securities Market, gained 10 to 114p following the acquisition of the petroleum rights to 40 per cent of the continental shelf of the State of Brunei.

Among Financials, Mercantile House advanced 20 to 400p. Exco hardened 2 to 200p. London Merchant Securities eased a penny to 54p; the price shown in yesterday's issue was incorrect.

Shippings remained buoyant, still gaining impetus from a broker's circular. British and Commonwealth added 9 for a two-day rise of 18 to 430p. Caledonia firmed 8 to 395p, while P & O Deferred added 4 to 149p, as did Ocean Transport, at 117p. Common Bros rose 7 more to 195p.

Interest in Textiles was mainly confined to those reporting trading statements. Leeds and District Dyers and Finishers advanced to 93p in response to the doubled first-half profits and increased interim dividend, but eased to finish 3 dearer on balance at 88p on the discouraging tenor of the accompanying statement. Parkland Textile A also rose 3 to 47p, after the sharply increased annual earnings. Dealings in Wormalds Walker and Atkinson, suspended on Monday at 91p, resumed at 18p to match the cash offer from A. W. Hainsworth.

Golds drift

With neither political events nor metal prices providing any sort of stimulus in either direction, mining markets held broadly unchanged in quiet trading yesterday. The bullion price charted an uncertain course, before closing at $328.25, down $0.25, and the Gold Mines index edged 3.6 lower to 231.6 as falls outweighed rises among the constituent stocks.

Falls of around ½ were common to Randfontein Estates, at £35, Buffels, at £15½, Hartebeest, at £31¼, Kloof, at £12½, and Vaal Reefs, at £25½.

The medium and lower-priced issues showed Stilfontein 32 lower at 596p, Harmony down 25 to 513p and Zandpan 21 weaker at 388p.

Gold-based South African Financials were also generally a little weaker, as in "Amgold," down ½ to £22¼.

In Coals, Transvaal Consolidated Land gave up a point to £17½ for a two-day decline of two and a half points.

Demand for Traded Options improved slightly with 1,494 contracts taken out compared with Monday's 1,059. Calls amounted to 1,183, of which ICI and P & O Deferred recorded 238 and 225 deals respectively. Grand Metropolitan again attracted a relatively active put business following confirmation of the widely-rumoured rights issue and 193 deals were struck, 105 in the July 200's.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	2	85
Corpns. Dom. and Foreign Bonds	5	4	88
Industrials	356	[illegible]	893
Financial & Props.	99	37	372
Oils	28	10	69
Plantations	1	—	22
Mines	22	53	73
Others	38	37	76
Totals	556	247	1,657

FINANCIAL TIMES STOCK INDICES

	May 25	May 24	May 21	May 20	May 19	May 18	A year ago
Government Secs	68.80	68.79	68.17	68.03	68.56	69.07	68.97
Fixed Interest	69.53	69.61	69.10	69.10	69.45	69.81	68.43
Industrial Ord.	580.8	575.8	560.6	554.4	561.9	572.4	546.4
Gold Mines	231.6	235.2	242.0	249.9	247.8	240.3	348.1
Ord. Div. Yield	5.40	5.43	5.55	5.59	5.51	5.43	5.04
Earnings, Yld.%(full)	11.17	11.26	11.52	11.61	11.44	11.22	11.78
P/E Ratio (net) (*)	10.91	10.83	10.59	10.52	10.67	10.89	10.66
Total bargains	14,954	14,920	15,950	14,724	15,172	17,045	12,429
Equity turnover £m.	—	111.51	90.95	105.07	119.51	113.61	119.18
Equity bargains	—	11,330	9,565	10,567	11,518	11,998	14,465

10 am 574.2. 11 am 578.6. Noon 580.1. 1 pm 580.1.
2 pm 579.4. 3 pm 579.3.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974. †Corrected.

Latest Index 01-246 8026.

*Nil=10.12.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	69.55 (25/5)	61.89 (5/1)	127.4 (9/1/35)	49.12 (3/1/75)
Fixed Int.	69.97 (14/5)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	590.9 (12/5)	518.1 (5/1)	597.3 (30/4/81)	42.4 (26/6/40)
Gold Mines	303.9 (5/1)	209.2 (9/3)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	May 24	May 21
—Daily		
Gilt Edged Bargains	172.6	133.2
Equities Bargains	73.4	62.0
Equities Value	225.4	183.8
5-day Avrge.		
Gilt-Edged Bargains	147.0	143.8
Equities Bargains	71.2	74.3
Equities Value	218.5	218.5

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. or amount	Times Covered	Gross Yield	P.E. Ratio
140	F.P.	14/6	170	140	AIM Group 10p	127	......	bd5.75	1.9	4.9	15.0
¶250	F.P.	23/6	270	265	Assoc. Heat Services	270	......	b9.0	2.1	4.8	15.7
§90	F.P.	—	92	92	✻Black(Michael) 20p	99	+5	u3.0	2.4	4.3	15.7
16	F.P.	15/4	32	19	Cambrian & Gen. 7½p	29	.....	—	—	—	—
§260	F.P.	4/6	375	293	✻Cont. MicroWave	360	+5	b6.25	3.9	2.1	15.4
60	F.P.	28/5	62	59	✻DeBrett(Andre) 10p	60	......	b2.6	2.1	6.0	11.4
§102	F.P.	—	135	122	Dew (George)	125	......	g5.7	4.0	6.5	0.5
§130	F.P.	28/5	151	140	✻Druck Hldgs.	150	......	b2.5	9.6	9.2	26.0
§87½p	F.P.	25/2	98	88	El'tro-Pr'teCoUS$0.50	94	+2	uQ1.5c	2.8	0.9	12.7
—	—	—	17	10	ΔGr'p Inv Option Crts	15	......	—	—	—	—
§250	F.P.	14/3	260	245	✻Io Technology	245	......	—	—	—	—
‡‡	F.P.	—	275	260	✻Jebsens Drilling	260	......	b17.5	9.3	9.6	5.5
¶105	F.P.	—	118	110	✻Miles 33 10p	112	+1	ud2.0	4.3	2.4	10.2
136	F.P.	13/5	141	133	Standard Secs.	133	......	b2.6	1.2	3.0	33.9
¶¶	F.P.	—	22	19	Stewart Nairn	27	......	—	—	—	—
¶¶	F.P.	—	20	60	Zambia Cons Cor 10K	70	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
$99.393	£25	14/7	25	21½	Cred. Foncier de France 14¾% Lon.2007	23¾	+¼
¶100	F.P.	1/7	102¼	101¼	East Anglia Water 9% Red. Prf. 1987	101¼	......
¶¶	F.P.	—	146½	136	First Nat. 18½pc Conv. Uns. Ln. 1987	146½	+4
¶100	F.P.	—	47	38	Grt. N'rth'n Inv. 4pc Net Cum. Prf. £1	39	+1
¶100	F.P.	—	45	45	Do. 4.7pc Net Cum. Prf. £1	46	......
‖100	Nil	—	1pm	1pm	Marlborough Props.10% Cnv.Ln.'98-2002	1pm	......
¶100	£10	—	11	11	Mid-Southern Wtr. 9% Pref. 1987	11	......
§100	F.P.	—	100⅞	100⅟₁₆	Nationwide Bdg. Soc. 14¼% (25/4/83)	100⅝	......
¶100	F.P.	—	100	99⅞	Do. 15⅞% (23/5/83)	99⅞	......
¶107	F.P.	22/4	113½	109½	Queens Moat 10½% Cnv.'89-91	118	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	Latest Renunc. date ■	1982 High	1982 Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	13¾	10¾	Ansbacher (H.) 5p	11	−¼
170	F.P.	13/5	24/6	180	180	Bank Leumi (UK) £1	185	......
125	F.P.	21/4	28/5	161	135	Beazer (C. H.) 10p	161	+1
135	Nil	28/5	9/7	44pm	23pm	Carless Capel 10p	35pm	+8
90	F.P.	30/4	28/5	86	40	Fisher (A.)	45	−1
5	F.P.	10/5	21/6	5	5	Grovebell (5p)	5	−¼
500	F.P.	20/5	18/6	590	575	Hammerson Prop.	590	......
500	F.P.	29/5	18/6	575	530	Do. A	560	+15
120	F.P.	7/5	4/6	169	144	Lilley (F.J.C.)	175	+2
145	F.P.	12/5	7/6	187	176	Low (Wm.) 20p	180	+2
18	Nil	31/5	4/8	14pm	2pm	North Kalguri	2pm	......
87	F.P.	29/4	27/5	29½	26½	Queens Moat	29	+1
98	F.P.	15/4	4/6	107	99	Riley Leisure	105	+1
170	F.P.	14/5	11/6	284	272	Steel Bros.	243	......
10	F.P.	24/3	23/4	12½	10½	Sturla 10p	11½	......
133	F.P.	10/5	10/8	160	146	Vickers (£1)	158	+5
25	Nil	—	—	½pm	½pm	Young (H.)	½pm	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *t* Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ⊕ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." **Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). Δ Issued free as an entitlement to ordinary holders.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
AE	45	− 4	Grand. Metropolitan	209	+ 7
Amersham	221	+ 5	Minet	193	+11
British Aerospace	223	+ 7	Noble and Lund	19	+ 8½
Cable and Wireless	280	+ 7	Phoenix Assurance	238	+10
Carless Capel	175	+ 8	Plessey	433	+ 1
GEC	900	+ 7	RHM	56½	—

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
Stewart Nairn	14	27	—	De Beers Deld.	11	215	− 7
GEC	13	893	+18	Minet	10	182	−16
Glaxo	13	665	+16	Pilkington	10	228	+ 3
Miles 33	13	117	—	RTZ	10	435	+ 7
BAT Industries	12	445	+15	Shell Transport	10	426	+ 6
Cable and Wlss	12	273	+13	ICI	9	61	+ 4
Plessey	12	432	+15	UDS	9	64	+ 4

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Tues May 25 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon May 24 Index No.	Fri May 21 Index No.	Thur May 20 Index No.	Wed May 19 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (209)	388.09	+0.9	9.39	4.19	13.12	384.54	377.11	376.93	380.95	340.85
2	Building Materials (23)	335.78	+0.9	13.60	5.32	8.68	332.63	329.32	329.33	335.88	304.31
3	Contracting, Construction (28)	613.76	+0.8	13.95	5.00	8.43	609.01	601.65	603.22	608.66	563.03
4	Electricals (31)	1409.84	+1.0	6.62	2.10	19.33	1396.22	1365.54	1361.94	1377.30	1051.54
5	Engineering Contractors (11)	479.71	+0.2	13.86	6.32	8.51	478.61	472.11	474.75	478.51	486.48
6	Mechanical Engineering (67)	204.84	+1.2	11.20	5.70	10.77	202.38	196.93	197.47	198.79	211.24
8	Metals and Metal Forming (11)	167.01	+1.1	10.21	7.11	12.30	165.15	161.53	160.46	162.26	164.46
9	Motors (20)	94.15	+0.5	0.81	7.24	—	93.64	91.00	91.21	91.70	106.28
10	Other Industrial Materials (18)	365.61	+0.5	10.03	5.80	12.20	363.75	359.71	359.96	362.11	360.59
21	CONSUMER GROUP (201)	308.13	+0.7	12.76	5.55	9.52	305.91	300.61	298.73	301.78	278.08
22	Brewers and Distillers (21)	308.67	+1.5	15.26	6.41	7.92	304.16	301.63	301.38	307.04	304.39
25	Food Manufacturing (22)	267.76	+0.3	17.14	6.99	6.84	266.92	262.44	261.22	262.30	254.06
26	Food Retailing (14)	601.89	+1.1	9.43	3.54	12.87	595.59	588.75	583.30	581.97	516.50
27	Health and Household Products (8)	464.27	+1.0	7.45	3.49	15.60	459.72	448.13	445.19	451.19	384.26
29	Leisure (24)	440.57	+0.1	10.35	5.15	12.05	440.07	436.74	439.52	444.78	424.87
32	Newspapers, Publishing (12)	523.97	+0.2	12.86	5.97	9.94	523.13	521.25	522.21	526.56	513.49
33	Packaging and Paper (14)	148.03	+1.0	15.44	7.18	7.53	146.58	144.16	143.19	143.64	147.98
34	Stores (45)	282.43	+0.4	10.50	4.86	12.73	281.19	275.28	271.67	275.06	276.84
35	Textiles (23)	173.84	+0.4	10.38	5.73	12.36	173.20	170.65	170.24	170.42	154.07
36	Tobaccos (3)	336.10	+1.0	21.75	8.18	5.18	332.84	322.08	318.23	321.89	245.29
39	Other Consumer (15)	284.34	+0.4	—	5.29	—	283.23	283.38	284.63	285.87	305.05
41	OTHER GROUPS (77)	257.34	+1.3	13.63	6.26	8.83	254.13	250.39	249.54	251.29	238.43
42	Chemicals (16)	339.62	+1.2	13.53	6.85	8.80	335.57	332.31	329.08	331.48	289.00
44	Office Equipment (4)	112.65	+1.0	14.44	7.75	8.51	111.49	111.23	111.23	114.95	115.33
45	Shipping and Transport (13)	572.25	+1.7	19.69	7.20	6.15	562.51	552.46	553.55	555.95	560.02
46	Miscellaneous (44)	331.37	+1.2	11.83	5.15	10.23	327.37	320.62	320.99	323.75	297.81
49	INDUSTRIAL GROUP (487)	328.48	+0.9	11.61	5.14	10.49	325.65	319.87	318.69	321.85	298.10
51	Oils (13)	757.26	+1.1	20.90	7.68	5.42	749.18	741.54	731.58	732.73	824.58
59	500 SHARE INDEX	363.35	+0.9	13.16	5.56	9.08	360.09	354.15	352.27	355.28	335.46
61	FINANCIAL GROUP (117)	245.94	+0.7	—	6.74	—	244.28	241.96	242.00	244.47	246.91
62	Banks (6)	267.32	+0.5	39.16	8.04	2.80	266.07	262.57	262.29	264.39	244.38
63	Discount Houses (9)	233.06	+0.9	—	9.74	—	231.08	228.89	233.60	233.60	283.58
65	Insurance (Life) (9)	256.01	+1.3	—	7.14	—	252.67	251.99	252.20	255.19	250.08
66	Insurance (Composite) (10)	151.28	+1.7	—	9.35	—	148.81	147.79	147.23	149.74	153.61
67	Insurance Brokers (7)	492.83	+1.1	11.23	5.27	12.08	487.70	488.92	485.92	485.37	368.70
68	Merchant Banks (12)	145.86	+0.3	—	5.81	—	145.36	143.52	143.68	144.19	158.91
69	Property (49)	420.07	−0.1	5.28	3.76	25.09	420.64	414.64	415.04	419.92	478.61
70	Other Financial (15)	175.47	+0.5	17.95	6.53	6.44	174.60	173.71	175.97	176.89	169.17
71	Investment Trusts (111)	301.37	+0.2	—	5.36	—	300.78	299.13	300.08	301.17	302.07
81	Mining Finance (4)	205.55	−0.4	15.34	6.93	8.17	204.42	202.79	205.53	208.73	260.44
91	Overseas Traders (18)	363.06	+1.3	14.22	8.70	8.60	358.28	353.72	356.02	355.97	424.74
99	ALL-SHARE INDEX (750)	332.54	+0.8	—	5.81	—	329.89	325.11	324.02	326.81	317.16

FIXED INTEREST

	PRICE INDICES	Tues May 25	Day's change %	Mon May 24	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	111.79	+0.03	111.76	—	4.61
2	5-15 years	111.64	+0.01	111.69	0.06	4.49
3	Over 15 years	114.88	+0.02	114.86	—	5.22
4	Irredeemables	128.72	—	128.72	—	6.87
5	All Stocks	112.46	+0.02	112.45	0.02	4.75
6	Debentures & Loans	87.97	+0.49	87.54	—	4.81
7	Preference	64.72	+0.22	64.58	—	3.13

	AVERAGE GROSS REDEMPTION YIELDS		Tues May 25	Mon May 24	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	11.55	11.54	12.08
2		15 years	12.74	12.74	12.71
3		25 years	12.76	12.76	12.85
4	Medium Coupons	5 years	13.92	13.91	13.97
5		15 years	13.83	13.82	14.46
6		25 years	13.27	13.28	14.10
7	High Coupons	5 years	13.84	13.83	13.97
8		15 years	14.02	14.01	14.66
9		25 years	13.50	13.49	14.29
10	Irredeemables†		12.37	12.37	12.26
11	Debs & Loans	5 years	14.72	14.84	15.02
12		15 years	14.69	14.78	15.07
13		25 years	14.67	14.72	15.07
14	Preference†		15.29	15.33	15.65

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1982.

NEW HIGHS (55)

LOANS (1)
FFI (UK) 11pc Uns. Ln. 1988

BANKS (1)
Hill Samuel

BUILDINGS (5)
Carr (John) — Latham (J.)
Countryside — Wilson (Connolly)
Gleeson (M. J.)

CHEMICALS (2)
Amersham Int. — Anchor Chem.

STORES (2)
Brown (N.) — Dewhirst

ELECTRICALS (4)
Humberside — Oceonics
Muirhead — Scholes (G. H.)

ENGINEERING (9)
Ash & Lacy — Jackson (J. & H. B.)
Babcock Int. — Westland
Beauford — Williams & James
Birmid Qualcast — Woodhouse & Rixson
Evered

FOODS (3)
Avana — Hinton (A.)
Hazlewood

INDUSTRIALS (12)
Bath & Portland — London & Liverpool
British Aerospace — Moss (Robert)
Hutchison Whampoa — Reckitt & Colman
ICL — Reed Int.
Jardine Matheson — Swire Pacific
L.R.C. Int. — Vinten

LEISURE (1)
Pleasurama

MOTORS (2)
Adams & Gibbon — Tate of Leeds
Lex Service

NEWSPAPERS (1)
Routledge Keg. Paul

PROPERTY (1)
McInerney

SHIPPING (1)
British & C'wealth

TEXTILES (2)
Leeds Dyers — Parkland A

TRUSTS (5)
Caledonia Invs. — Jardine Secs.
Fledgeling Invs. — M. & G. Dual Inc.
Gresham Inv.

OIL & GAS (2)
Charterhouse Pet. — Shell Transport

NEW LOWS (17)

FOREIGN BONDS (1)
Chinese 5pc 1913

AMERICANS (2)
Lone Star Inds. — Rexnord

STORES (1)
Heelamat

ENGINEERING (1)
Spear & Jackson

INDUSTRIALS (2)
Howard Tenens — Wedgwood

INSURANCE (1)
London United

PROPERTY (1)
Rosehaugh

TRUSTS (1)
Fundinvest

OVERSEAS TRADERS (1)
Crosby House

MINES (5)
Vlakfontein — Kitchener
Anglo American — Geevor
Rand Min. Props. — Petaling

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
May 24	June 11	Sept 2	Sept 13
June 14	June 25	Sept 16	Sept 27
June 28	July 9	Sept 30	Oct 11

For rate indications see end of Share Information Service

Call options were completed in Town and City Properties, Guardian Royal Exchange, Lofs, Trident TV A, ICL, J. Hepworth, Metal Box, Chloride, Horizon Travel, John Williams of Cardiff, Stewart Nairn and Otter Exploration. Puts were taken out in Cable and Wireless and Exco International, while doubles were struck in Pennine Commercial, Lofs, *Arthur Guinness*, UDS and Courtaulds.

Companies and Markets

CURRENCIES and MONEY

$ & £ firm

Fears about the military situation in the Middle East as a result of the continuing dispute between Iran and Iraq, and reports of renewed hostilities between Israel and Syria, pushed up the dollar in nervous foreign exchange trading. But any rise was probably limited by news of a cut in Citibank's prime lending rate by ½ per cent to 16 per cent.

Sterling maintained Monday's firmer trend as market attention remained focused on the Falkland Islands conflict.

French franc showed a firmer trend in the European Monetary System.

DOLLAR — Trade-weighted index (Bank of England) 113.3 against 112.9 on Monday, and 105.6 six months ago. Three-month Treasury bills 11.52 per cent (10.05 per cent six months ago). Annual inflation rate 6.6 per cent (6.8 per cent previous month) — The dollar rose to DM 2.3135 from DM 2.2980 against the D-mark; to FFr 5.9925 from FFr 5.96 against the French franc; to SwFr 1.9625 from SwFr 1.9550 in terms of the Swiss franc; and to Y240.10 from Y238.20 against the Japanese yen.

STERLING — Trade-weighted index 89.8, against 89.7 at noon and in the morning, 89.6 at the previous close, and 91.2 six months ago. Three-month interbank 13½ per cent (14⅞ per cent six months ago). Annual inflation 9.4 per cent (10.4 per cent previous month) — The pound rose to DM 4.1775 from DM 4.1550; to FFr 10.8150 from FFr 10.7650; to SwFr 3.5425 from SwFr 3.5325; and to Y433.50 from Y430.50. It touched an early peak of $1.8110-1.8120 against the dollar, but fell to $1.8000-1.8010 in the afternoon, on good dollar demand, before closing at $1.8045-1.8055, a fall of 5 points on the day.

D-MARK — EMS member (strongest). Trade-weighted index 125.2 against 125.4 on Monday, and 122.5 six months ago. Three-month interbank 9.10 per cent (10.80 per cent six months ago). Annual inflation 5.0 per cent (5.2 per cent previous month)—The D-mark declined against most major currencies at the Frankfurt fixing. The Bundesbank did not intervene when the dollar rose to DM 2.3026 from DM 2.2963, and was probably not active on the open market. Interest rates had little influence on trading, including the cut in the Citibank prime rate. The pound rose to DM 4.1620 from DM 4.1480, and most members of the EMS were also firmer against the German currency.

FRENCH FRANC — EMS member (central position). Trade-weighted index was unchanged at 80.5, against 81.3 six months ago. Three-month interbank 16 1/16 per cent (15 7/16 per cent six months ago). Annual inflation 14.1 per cent (13.9 per cent previous month) — The French franc gained ground against all major currencies, except the dollar and sterling at the Paris fixing. Among EMS currencies the D-mark fell to FFr 2.5950 from FFr 2.6011, and the Dutch guilder to FFr 2.3330 from FFr 2.3372. Outside the EMS the dollar rose to FFr 5.9810 from FFr 5.97, and sterling to FFr 10.7955 from FFr 10.7860, while the Swiss franc fell to FFr 3.0455 from FFr 3.0590.

DUTCH GUILDER — EMS member (third strongest). Trade-weighted index 115.4 against 115.5 on Monday and 115.0 six months ago. Three-month interbank 8⅞ per cent (11¼ per cent six months ago). Annual inflation 6.8 per cent (unchanged from previous month)—The guilder weakened against most major currencies, including members of the EMS at the Amsterdam fixing. The dollar rose to Fl 2.5630 from Fl 2.5530, and sterling to Fl 4.6330 from Fl 4.6180. Within the EMS the D-mark improved to Fl 1.1127 from Fl 1.1125, and the French franc to Fl 42.885 per 100 francs from Fl 42.77. Weaker members of the EMS, including the lira and Belgian franc, also gained ground against the guilder, but the Danish krone was slightly weaker. Outside the system the Swiss franc fell to Fl 1.3068 from Fl 1.30935.

THE POUND SPOT AND FORWARD

May 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8000-1.8120	1.8045-1.8055	0.15-0.25c dis	−1.33	0.53-0.63dis	−1.29
Canada	2.2300-2.2370	2.2320-2.2330	0.47-0.57c dis	−2.79	1.35-1.45dis	−2.51
Nethlnd.	4.61-4.65	4.63¾-4.64½	2-1½c pm	4.52	5¼-4¾ pm	4.20
Belgium	78.30-78.90	78.70-78.80	15-25c dis	−3.05	55-65 dis	−3.05
Denmark	14.12-14.17	14.16-14.17	6⅞-7¼ore dis	−5.93	16½-17⅞ dis	−4.78
Ireland	1.2005-1.2080	1.2060-1.2070	0.60-0.75p dis	−7.18	1.79-1.97dis	−6.23
W. Ger.	4.15-4.19	4.17¼-4.18¼	1⅞-1⅝pf pm	4.67	4⅞-4½ pm	4.43
Portugal	127.00-128.00	127.50-127.90	100-380c dis	−22.55	305-930dis	−20.28
Spain	185.50-186.40	186.05-186.25	45-75c dis	−3.87	205-220 dis	−4.57
Italy	2,303-2,310	2,306-2,307	19-22lire dis	−10.67	58-62 dis	−10.41
Norway	10.78-10.82	10.79-10.80	3½-4½ore dis	−4.10	6⅞-8 dis	−2.75
France	10.75-10.82	10.81-10.82	15½-22½c dis	−23.30	38-43 dis	−14.58
Sweden	10.44-10.48	10.46-10.47	½ore pm-¼ dis	0.14	⅛-⅜ pm	0.17
Japan	430-437	433-434	2.46-2.20y pm	6.43	6.70-6.40 pm	6.04
Austria	29.20-29.45	29.35-29.40	14½-11gro pm	5.21	36½-30 pm	4.53
Switz.	3.53-3.56	3.53¼-3.54½	3½-2¾c pm	9.74	8½-7⅞ pm	8.89

Belgian rate is for convertible francs. Financial franc 85.80-85.90. Six-month forward dollar 1.08-1.18c dis. 12-month 1.70-1.90c dis.

THE DOLLAR SPOT AND FORWARD

May 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8000-1.8120	1.8045-1.8055	0.15-0.25c dis	−1.33	0.53-0.63dis	−1.28
Ireland†	1.4920-1.5050	1.4970-1.4990	0.75-0.70c pm	5.82	1.95-1.75 pm	4.95
Canada	1.2345-1.2390	1.2370-1.2375	0.15-0.18c dis	−1.60	0.35-0.39dis	−1.18
Nethlnd.	2.5580-2.5800	2.5775-2.5795	1.30-1.20c pm	5.84	3.55-3.45 pm	5.45
Belgium	43.35-43.70	43.60-43.62	8-10c dis	−2.20	19-22 dis	−1.88
Denmark	7.8100-7.8600	7.8420-7.8450	2.95-3.20ore dis	−4.70	7.00-7.50dis	−3.69
W. Ger.	2.2970-2.3200	2.3130-2.3140	1.20-1.15pf pm	6.09	3.33-3.28 pm	5.71
Portugal	70.25-70.90	70.65-70.85	50-200c dis	−21.20	150-525dis	−19.08
Spain	102.55-103.25	103.00-103.05	22-28c dis	−2.91	85-95 dis	−3.49
Italy	1,275½-1,279	1,278-1,279	11½-13lire dis	−11.51	31-33 dis	−10.02
Norway	5.9745-5.9890	5.9870-5.9890	1.10-1.50ore dis	−2.61	2.00-2.40dis	−1.47
France	5.9475-6.0000	5.9900-5.9950	10-11c dis	−21.04	20½-22 dis	−14.20
Sweden	5.7830-5.8065	5.8020-5.8040	0.80-0.60ore pm	1.45	2.10-1.90 pm	1.38
Japan	239.25-241.00	240.05-240.15	1.60-1.52y pm	7.80	4.42-4.32 pm	7.28
Austria	16.18-16.31	16.27-16.28	9½-8⅛gro pm	6.54	24½-21½ pm	5.71
Switz.	1.9540-1.9700	1.9620-1.9630	1.80-1.72c pm	10.76	4.90-4.82 pm	9.90

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

May 25	Bank of England Index	Morgan Guaranty Changes%
Sterling	89.8	−33.5
U.S. dollar	113.3	+6.5
Canadian dollar	86.7	−19.0
Austrian schilling	118.7	+26.4
Belgian franc	96.0	−1.1
Danish kroner	85.0	−12.4
Deutsche mark	125.2	+48.3
Swiss franc	147.4	+86.3
Guilder	115.4	+21.6
French franc	80.5	−13.9
Lira	54.6	−58.1
Yen	135.7	+30.5

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

May 25	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.627,599	0.572578
U.S. $	12	1.13362	1.03236
Canadian $	15.32	—*	1.27775
Austria Sch.	6½	18.3838	16.7965
Belgian F.	14	49.3013	45.0469
Danish Kr.	11	8.86364	8.10237
D mark	7½	2.61073	2.38547
Guilder	8	2.90598	2.65264
French Fr.	9½	6.78138	6.19003
Lira	19	1446.17	1319.87
Yen	5½	270.643	248.664
Norwgn. Kr.	9	6.77664	6.18124
Spanish Pts.	8	116.613	106.405
Swedish Kr.	10	6.55688	5.95871
Swiss Fr.	5½	2.22285	2.03374
Greek Dr'ch.	20½	71.7595	65.3379

*C$/SDR rate for May 24: N/A

OTHER CURRENCIES

May 25	£	$		£ Note Rates
Argentina Peso	25,815-25,855†	14,300-14,350†	Austria	29.15-29.45
Australia Dollar	1.7100-1.7120	0.9475-0.9480	Belgium	84.75-85.75
Brazil Cruzeiro	289.12-290.12	160.28-161.08	Denmark	14.08-14.22
Finland Markka	8.155-8.168	4.5170-4.5190	France	10.71-10.81
Greek Drachma	711,881-115,102	63.00-63.20	Germany	4.14¼-4.18¼
Hong Kong Dollar	10.3575-10.3815	5.74-5.75	Italy	2270-2310
Iran Rial	146.25*	81.20*	Japan	433-438
Kuwait Dinar(KD)	0.51595-0.51695	0.2861-0.2863	Netherlands	4.60¼-4.64¼
Luxembourg Fr.	78.70-78.80	43.60-43.62	Norway	10.76-10.86
Malaysia Dollar	4.1195-4.1285	2.2830-2.2870	Portugal	124-130½
New Zealand Dlr.	2.3510-2.3530	1.3020-1.3035	Spain	178½-188
Saudi Arab. Riyal	6.1860-6.1960	3.4300-3.4315	Sweden	10.43-10.53
Singapore Dollar	3.7696-3.7775	2.0890-2.0920	Switzerland	3.52-3.56
Sth. African Rand	1.9330-1.9365	1.0710-1.0725	United States	1.79½-1.81½
U.A.E. Dirham	6.6215-6.6315	3.6715-3.6730	Yugoslavia	81-100

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.0469	+0.78	+1.08	±1.5440
Danish Krone	8.18382	8.10237	−0.99	−0.69	±1.6428
German D-Mark	2.41815	2.38547	−1.35	−1.05	±1.1097
French Franc	6.19564	6.19003	−0.09	+0.21	±1.3743
Dutch Guilder	2.67296	2.65264	−0.76	−0.46	±1.5069
Irish Punt	0.686799	0.689157	+0.34	+0.64	±1.6689
Italian Lira	1305.13	1319.87	+1.13	+1.13	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

May 25	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.805	4.178	433.5	10.815	3.543	4.640	2306.	2.233	78.75
U.S. Dollar	0.554	1.	2.314	240.2	5.992	1.963	2.572	1278.	1.237	43.63
Deutschemark	0.239	0.432	1.	103.8	2.589	0.848	1.111	552.0	0.534	18.85
Japanese Yen 1,000	2.307	4.164	9.637	1000.	24.95	8.172	10.70	5319.	5.150	181.7
French Franc 10	0.925	1.669	3.863	400.8	10.	3.276	4.290	2132.	2.064	72.82
Swiss Franc	0.282	0.510	1.179	122.4	3.053	1.	1.310	651.0	0.630	22.23
Dutch Guilder	0.216	0.389	0.900	93.43	2.331	0.763	1.	497.0	0.481	16.97
Italian Lira 1,000	0.434	0.783	1.812	188.0	4.690	1.536	2.012	1000.	0.968	34.15
Canadian Dollar	0.448	0.809	1.871	194.2	4.844	1.587	2.078	1033.	1.	35.27
Belgian Franc 100	1.270	2.293	5.305	550.6	13.73	4.498	5.892	2928.	2.835	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MAY 25)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 3/8	offer 14 1/2	bid 14 3/8	offer 14 1/2

The fixing rates are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	13½-13⅞	14½-14¾	14-15	8⅜-8⅝	1¼-1¾	8¼-8½	30-50	18½-21	14½-15½	14½-15¼	6¾-6⅞	20-20½
7 days' notice	13¼-13⅝	14½-14¾	14¼-15	8⅜-8⅝	3½-3⅞	8¼-8½	25-35	19½-20	14½-15½	14½-15¼	7¼-7½	19-19½
Month	13⅜-13⅝	14¼-14½	15¼-16⅛	8¼-8½	3¾-4⅛	8¼-8½	18-25	[illegible]	[illegible]	[illegible]	7¼-7½	20-20½
Three months	13⅜-13⅝	14¼-14½	15¼-16	8¼-8½	4½-4⅞	8¼-8½	27½-28½	24¼-25	[illegible]	[illegible]	7¼-7½	[illegible]
Six months	13⅜-13⅝	14½-14¾	15¼-16	8⅛-8⅜	4⅝-5	8¼-8½	24-25½	24½-25	15½-16½	14½-15½	7¼-7½	18½-19½
One Year	13⅜-13⅝	14½-14¾	15¼-16	8⅛-8⅜	4⅝-5	8¼-8⅝	20¼-21¼	23½-25	15½-16¼	14½-15¼	7¼-7½	17¼-17½

SDR linked deposits: one month 14⅛-15⅛ per cent; three months 13⅞-14⅛ per cent; six months 13⅝-13⅞ per cent; one year 12⅞-13⅛ per cent.
ECU linked deposits: one month 16⅞-17⅛ per cent; three months 15⅝-15⅞ per cent; six months 14⅝-14⅞ per cent; one year 14⅛-14⅜ per cent.
Asian $ (closing rates in Singapore): one month 14¼-14⅜ per cent; three months 14⅛-14¼ per cent; six months 14⅜-14½ per cent; one year 14⅜-14½ per cent. Long-term Eurodollar two years 14⅛-14⅜ per cent; three years 14⅛-15 per cent; four years 14⅞-15⅛ per cent; five years 15-15¼ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.
The following rates were quoted for London dollar certificates of deposit: one month 13.95-14.05 per cent; three months 13.95-14.05 per cent; six months 14.05-14.15 per cent; one year 14.00-14.10 per cent.

MONEY MARKETS

Further fall in London rates

Interest rates continued to ease in London yesterday in very quiet trading. Three-month interbank money slipped to 13⅜-13½ per cent from 13½-13⅝ and three- and six-month sterling CDs were lower at 13⅛-13¼ per cent compared with 13¼-13⅜ per cent.

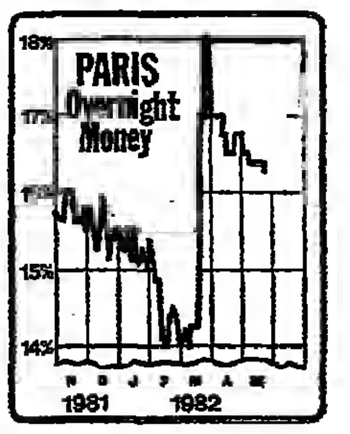
Day-to-day credit remained in short supply in the money market and the Bank of England gave an initial forecast of a shortage of £150m. Factors affecting the market included bills maturing in official hands and a net take-up of Treasury bills of £63m and Exchequer transactions of £200m. Adding liquidity to the market, there was a fall in the note circulation of £40m. The Bank gave assistance in the morning of £118m, making purchases of £1m of eligible bank bills in band 1 (up to 14 days) at 13⅛ per cent and £65m in band 2 (15-33 days) at 13 per cent. In band 3 (34-63 days) it bought £29m of eligible bank bills at 12⅞ per cent and in band 4 (64-84 days) it bought £23m at 12⅞ per cent.

During the afternoon the shortage was revised downwards to £100m.

In the interbank market overnight money opened at 13⅞-13⅝ per cent and rose to 13¾ per cent before easing back on the revised forecast to 12 per cent.

In New York Federal funds traded in a very narrow range in the overnight market, being quoted at 13⅞-14¼ per cent. The Federal Reserve Bank entered the market and added $1.2bn to the system through repurchase agreements and bill rates were slightly easier. The cut in Citibank's prime rate to 16 per cent from 16½ per cent was seen initially as a reflection of that bank's full short term liquidity position but similar cuts today by other banks could encourage an easier trend in rates.

In Paris call money was cut to 16 per cent from 16¼ per cent and is now at its lowest level for two months. Since the middle of March call money has eased steadily from a high of 18 per cent while the French franc has shown a small overall improvement on a trade weighted basis against other major currencies. Longer term rates yesterday were unchanged from Monday however.



EUROCURRENCIES

Swiss franc rates firm

Euro-Swiss franc rates were firmer yesterday although forward premiums against the dollar were generally higher as the franc showed a weaker tendency in spot trading. Euro-dollar rates were little changed, having shown a small rise earlier in the day before news of a reduction in some U.S. banks' prime rates to 16 per cent from 16½ per cent. Despite this the dollar was weaker in forward trading against sterling although a small fall in Euro-sterling rates would have contributed to a widening in dollar discounts.

Elsewhere Euro-French franc rates edged higher initially while a fall in the French franc in spot trading accounted for a narrower discount against the dollar in forward trading.

MONEY RATES

NEW YORK

Prime rate	16-16½
Fed funds (lunch-time)	13⅞-14¼
Treasury bills (13-week)	11.52
Treasury bills (26-week)	11.74

GERMANY

Lombard	9.00
Overnight rate	9.00
One month	9.20
Three months	9.15
Six months	9.325

FRANCE

Intervention rate	16.0
Overnight rate	16.25
One month	16.1875
Three months	16.3125
Six months	15.5625

JAPAN

Discount rate	5.5
Call (unconditional)	7.28125
Bill discount (three-month)	7.21875

LONDON MONEY RATES

May 25 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Discount Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	12-13¾	13⅛-13½	—	—	13⅛-13½	12-13½	—	—	—
2 days notice	—	—	13¼-13½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13½-13⅝	13¼-13½	—	—	13½-13⅝	13½	—	—	—
One month	13⅛-13⅜	13⅝-13¾	13⅜-13½	13¾-13⅝	13⅝	13⅛	12⅞-13	12⅞	13-12⅞	13¾
Two months	13⅛-13⅜	13⅜-13⅝	13½	13¾-13⅝	13⅝	13⅛	12⅞-12¾	12¾-12⅞	12⅞-12⅞	13½
Three months	13⅛-13⅜	13⅜-13½	13⅜	13⅝-13⅜	13⅝	13¾	12⅝-12⅞	12⅝-12¾	12¾-12⅞	13½
Six months	13⅛-13⅜	13⅜-13½	13⅜-13⅝	13⅜-13⅝	13⅝	—	—	—	12⅜-12⅝	—
Nine months	13⅛-13	13¼-13⅜	—	13⅜-13¼	13⅜	—	—	—	—	—
One year	13⅛-13	13⅛-13⅜	13⅛-13⅜	13⅜-13¼	13⅝	—	—	—	—	—
Two years	—	—	13¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13⅞ per cent; four years 13⅞ per cent; five years 13⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12¾ per cent; four months trade bills 13½ per cent.

Approximate selling rates for one month Treasury bills 12 13/16 per cent; two months 12 13/16-12⅞ per cent; three months 12¾-12 13/16 per cent. Approximate selling rate for one month bank bills 13 per cent; two months 12⅞ per cent and three months 12 13/16-12⅞ per cent; one month trade bills 13¾ per cent; two months 13½ per cent; three months 13½ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from May 1 1982. London and Scottish Clearing Bank Rates for lending 13 per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 10-10¼ per cent. Treasury Bills: Average tender rates of discount 12.7458 per cent.

Certificates of Tax Deposit (Series 5) 13¼ per cent from May 14. Deposits withdrawn for cash 11 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.(a)(c)

Arkwright Management

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd. (a)(c)(g)

Brown Shipley & Co. Ltd. (a)(g)

Buckmaster Management Co. Ltd.

Canada Life Unit Trust Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carr, Sebag Unit Trust Managers(a)(c)

Charinco Charities N/R Fund

Charities Official Invest. Fund

Chieftain Trust Managers Ltd. (a) (g)

Confederation Funds Mgt. Ltd. (a)

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

Dunbar Unit Trust Managers Ltd.

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M. (a) (b) (c)

Fidelity International Management Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends Prov. Trust Managers (a)(b)(c)

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a)

Hill Samuel Unit Tst. Mgrs.

HK Unit Trust Managers Ltd. (a)

Investment Bank of Ireland (a)

Investment Intelligence Ltd.

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Trust

M & G Group (y)(c)(x)

Mayflower Management Co. Ltd.

McAnally Fund Management Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmt. Ltd.

Murray Johnstone U.T. Mgmt. (a)

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a) (g)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management

Rowan Unit Trust Mngt. Ltd. (a)

Royal Life Fd. Mngmt. Ltd.

Royal Tst. Can. Fd. Mgrs. Ltd.

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Scottish Widows' Fund Management

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Management Ltd.

Swiss Life Pen. Tst. Man. Co. Ltd.

Target Tst. Mngrs. Ltd. (a) (g)

Trades Union Unit Trust Managers

Transatlantic and Gen. Secs. Co. (y)

TSB Unit Trusts (b) (c) (y)

Tyndall Managers Ltd. (a)(b)(c)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

NOTES

INSURANCES

INSURANCE & OVERSEAS MANAGED FUNDS

Life Assur. Co. of Pennsylvania
8, New Rd., Chatham, Kent. Medway 812348

LACOP Units	11.72	12.31	.....	—

Lloyds Life Assurance
20, Clifton St., EC2A 4HX 01-920 0202

Multi Gwth. May 6	12,826.2	—	.....	—
Op. 8 Prop. A May 20	229.9	[illegible]	.....	—
Op. 8 Equity May 20	215.1	[illegible]	.....	—
Op. 8 Hy. May 20	191.1	[illegible]	.....	—
Op. 8 Man. May 20	230.8	[illegible]	.....	—
Op. 8 Dep. May 20	167.9	[illegible]	.....	—
Op. In. B May 20	118.4	[illegible]	.....	—
Op. 8 Inc. May 20	103.8	[illegible]	.....	—
Op. In M May 20	119.6	[illegible]	.....	—
U.S.SF 1. May 20	106.8	112.5	.....	—
G & G Pen. Fd. May 20	96.9	102.1	.....	—
Pens. Pr. May 15	235.8	[illegible]	.....	—
Pens.Pr.Cp. May 15	179.5	[illegible]	.....	—
Pens.Eq.Ac. May 15	555.8	[illegible]	.....	—
Pens. Eq. Op. May 15	424.0	[illegible]	.....	—
Pens. Fxd. Ac. May 15	268.0	[illegible]	.....	—
Pens. Fxd. Cp. May 15	204.5	[illegible]	.....	—
Pens. Man. May 15	363.6	[illegible]	.....	—
Pens.Man.Cp. May 15	285.0	[illegible]	.....	—
Pens. Dp. Ac. May 15	239.3	[illegible]	.....	—
Pens. Dp. Cp. May 15	182.5	[illegible]	.....	—

Britannia Funds—Series A

Am.Smlr.Co's. May 19	89.0	[illegible]	.....	—
Am.Spec.Sits. May 19	105.0	[illegible]	.....	—
Commodity May 19	64.7	[illegible]	.....	—
Extra Inc. May 19	83.0	[illegible]	.....	—
Far East May 19	93.8	[illegible]	.....	—
Fin. Secs. May 19	106.3	[illegible]	.....	—
Gold & Gen. May 19	54.8	[illegible]	.....	—
Growth May 19	81.5	[illegible]	.....	—
Inc. & Growth May 19	105.7	111.3	.....	—
Int. Growth May 19	92.0	[illegible]	.....	—
Japan Prf. May 19	81.5	[illegible]	.....	—
Minerals May 19	63.7	[illegible]	.....	—

OFFSHORE AND OVERSEAS

NOTES

FT SHARE INFORMATION SERVICE

LOANS—Continued

Financial

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100	95½	FFI 14pc '83	99½	+¼	14.07	14.38
98½	94	FFI(UK Fn)5¼pcDb. '80-2.	98xd	......	5.61	13.70
86	80	Do. 6¼pcDb. '81-84	85½xd	......	7.33	13.46
94	82½	Do. 10¾pc Uns.Ln. '86	94	......	11.71	14.18
91½	78	Do. 11pc Uns.Ln. '88	91½	+½	12.64	13.60
92	78	Do. 11¾pc Uns.Ln. '90	92	......	13.48	14.60
92	82	Do. 12½pc Un. Ln. 1992	92xd	......	13.68	14.05
64½	54	Do. 7¼pcADeb. '89-92	64½	......	11.84	14.55
61	53	Do. 7¼pcADeb. '91-94	60½xd	......	11.98	14.08
71	62	Do. 9pc 'A' '91-94	71xd	......	13.82	14.41
68	57¾	Do. 8¾pcLn. '92-97	68xd	......	13.57	14.65

Building Societies

1982 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
100½	98⅞	Nat'wide 14¾pc 11.8.82	100	−⅛	14.75	14.39
100½	98¾	Do. 14¾pc 25.8.82	100⅛	......	14.73	13.92
101	99	Do. 15¾pc 29.9.82	100⅞	+⅛	15.32	13.85
101⅞	99¾	Do. 16¼pc 27.10.82	100¾xd	......	16.13	14.00
101	99½	Do. 15¼pc 24.11.82	100¼xd	......	15.26	13.58
101⅞	99¼	Do. 15¼pc 13.12.82	101xd	−⅛	15.10	13.33
101¾	99¾	Do 16¼pc 17.1.83	101¼	+⅛	16.05	14.20
101½	100	Do. 15⅝pc 7.2.83	100¾	......	15.51	14.48
100⅝	99⅞	Do. 14¼pc 14.3.83	100	......	14.25	14.25
100½	99⅝	Do. 14¼pc 4.4.83	100	......	14.25	14.26

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked & Variable Rate

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

BANKS & H.P.—Cont.

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

DRAPERY AND STORES

ELECTRICALS

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

MINES—Continued

Central African

Australian

Tins

Copper

Miscellaneous

40	20	Anglo-Dominion	21	......	—	—	—
16½	13	Burma Mines 10p	13	......	0.55	1.8	6.0
130	35	Colby Res. Corp.	60	......	—	—	—
292	210	Cons. Murch. 10c.	220	−5	Q60c	1.9	14.5
8	5	‡‡Explaura Gold	5	......	—	—	—
105	65	Highwood Res.	90	......	—	—	—
255	165	Northgate C$1	205	......	—	—	—
468	412	R.T.Z.	435	......	16.0	2.1	5.4
£108½	£93½	Do.9½%Cnv.Ln.'95-2000	£103	......	Q9½%	30.0	9.7
20	12	Sabina Inds. C$1	17	......	—	—	—
44	27	♦Southwest C. 10p	41	+2	—	—	—
500	270	Tara Exptn. $1	295	−15	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ††. Dealt in under Rule 163(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value
- §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	40	......	IRISH		
Bertrams	17#	......	Conv. 9% '80/82	£97⅛	......
Bdg'wtr. Est. 50p	405	......	Nat. 9¾% 84/89	£73⅝	......
Craig & Rose £1	£12¾	......	Fin. 13% 97/02	£74½	......
Finlay Pkg. 5p	28	......	Alliance Gas	72	+2
Graig Ship. £1	£26	......	Arnott	195xd	......
Higsons Brew	85	......	Carroll (P.J.)	74	......
Holt (Jos) 25p	640	+10	Concrete Prods.	90	......
I.O.M. Stm. £1	120	......	Heiton (Hldgs.)	21	......
Pearce (C. H.)	£38	......	Irish Ropes	36	......
Peel Hldgs.	145	......	Jacob	70	......
Sheff. Refrshmt	72	......	T.M.G.	6½	......
Sindall (Wm.)	205	......	Unidare	46	+3

OPTIONS

3-month Call Rates

Industrials		House of Fraser	25	Utd. Drapery	7
Allied-Lyons	8	I.C.I.	24	Vickers	16
BOC Intl.	15	"Imps"	0	Woolworths	5
B.S.R.	8½	I.C.L.	5½		
Babcock	10	Ladbroke	15	**Property**	
Barclays Bank	42	Legal & Gen.	19	Brit. Land	7½
Beecham	21	Lex Service	10	Cap. Counties	10
Blue Circle	48	Lloyds Bank	42	Land Secs.	28
Boots	19	"Lofs"	6½	MEPC	20
Bowaters	24	London Brick	7	Peachey	14
Brit. Aerospace	17	Lucas Inds.	20	Samuel Props.	11
B.A.T.	38	"Mams"	12	Town & City	3½
Brown (J.)	7	Mrks. & Spncr	12		
Burton Ord.	18	Midland Bank	30	**Oils**	
Cadburys	9	N.E.I.	9		
Courtaulds	8	Nat. West. Bank	38	Brit. Petroleum	26
Debenhams	7	P & O Dfd.	14	Burmah Oil	10
Distillers	15	Plessey	32	Charterhall	6
Dunlop	6½	Racal Elect.	35	KCA	14
Eagle Star	31	R.H.M.	6½	Premier	6
F.N.F.C.	4	Rank Org. Ord.	20	Shell	30
Gen. Accident	28	Reed Intnl.	26	Tricentrol	22
Gen. Electric	65	Sears	6	Ultramar	38
Glaxo	42	Tesco	5½		
Grand Met.	17	Thorn EMI	42	**Mines**	
G.U.S. 'A'	45	Trust Houses	11	Charter Cons.	25
Guardian	25	Tube Invest.	15	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd	30	Unilever	55	Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Wednesday May 26 1982

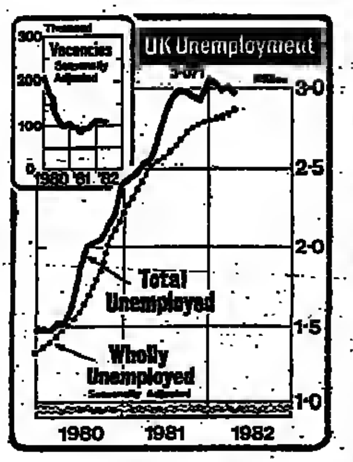
Jobless trend still up but total falls

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

UNEMPLOYMENT continued its upward trend in May, although the total, which includes school-leavers, fell to less than 3m.

Department of Employment figures published yesterday give little cause for hope that the underlying rate of increase in unemployment has moderated during the past few months. This may reflect the sluggish state of the economy during the bad weather last winter and the weak recovery of activity since then.

The rate of increase in unemployment is, however, much less than it was at its peak towards the end of 1980, when it averaged £15,000 per month. Since then, underlying monthly increases have been getting smaller, but there is still no indication of when unemployment itself will start to fall.



The new figures show that the unadjusted total, including school-leavers, declined by 38,000 from the April figure to 2,969m. However, this fall was less than the expected seasonal decrease, which normally results from a larger number of vacancies at this time of year.

The seasonally adjusted total went up by 22,000, compared with the previous month, to 2.872m. This increase in the adjusted total was closely in line with the underlying rate of increase for the first four months of the year. This is put at 23,000 a month, compared with an underlying rate of increase of 33,000 per month in October to December last year.

Between April and May, adult unemployment fell by 35,500. That was the biggest drop in a month since June 1979, when it fell by 59,000. The number of school-leavers out of work fell by 2,800 to 125,327.

Notified vacancies increased by 7,000 in May to 123,000. That was less than expected for the time of year and, on a seasonally-adjusted basis, vacancies fell for the third month running. As there is some question about the basis for this adjustment, the fall may not have much significance. However, the figures suggest that the trend of increasing vacancies, which started last August, may have run out of steam in recent months.

The unemployment figures will be swelled next month by an estimated 100,000 school-leavers, so it is likely that the unadjusted total will rise again to much more than 3m.

In the period January to April, the number of people made redundant was 122,900, compared to 199,000 in the same period last year.

The total number of people covered by special employment and training schemes was 490,000 in April. It is estimated that their enrolment reduced the unemployment total by 280,000.

Regional distribution chart, Page 10

Recovery from slump 'may not be genuine'

RECOVERY from the recent recession has been much slower than in any economic cycle for the last 25 years, says the National Institute of Economic and Social Research in its 100th Review out yesterday.

In view of the fact that the rises in output after May 1981 were followed by a fall in November and December, an unchanged level in January 1982 and a weak "bounce back" in February, the institute says: "There must be some doubt whether the period since last spring should be considered a genuine cyclical recovery at all."

The institute says the trough of the recent recession occurred in May 1981. But nine months later industrial output had picked up by only 1.6 per cent compared with its lowest point, and was still 13.5 per cent below the last peak of activity, in May 1979.

In the five economic cycles between 1958 and 1975, the average improvement in industrial output nine months after the trough was nearly 7 per cent.

In those nine-month periods output had on average recovered to about 3.5 per cent above its previous peak. Even in the weakest of the recoveries analysed, starting in August 1967, output had increased by 3.8 per cent after nine months.

The institute's post-Budget forecast predicts continued slow growth in output of about 1 per cent this year and next, with adult unemployment rising steadily to 3.3m by the fourth quarter of 1983.

It suggests that there will be a continued strong balance of payments surplus in spite of rather weak export performance and it believes the annual rate of inflation will fall gently to an average of 8.7 per cent in 1983.

Details Page 16

Continued from Page 1

Britain ready to use veto

Buenos Aires. This could mean saving quite a lot of lives."

At present, Labour's comments are limited to these points rather than outright opposition.

Similarly, Mr David Steel, the Liberal leader, argued in a speech yesterday that Britain should "pursue relentlessly every possibility of a diplomatic solution. "We must not close our minds to a ceasefire and peaceful Argentine withdrawal."

Labour's divisions over the crisis were highlighted again yesterday by an editorial in London Labour Briefing, the newsletter of the hard left in the capital, which attacked the party's leadership as "totally bankrupt" and described Mr Foot as "the most pathetic and hypocritical of all."

London Labour Briefing, which claims to speak for many constituency activists, said that "many may now feel, quite justifiably, that Foot is not the right man to lead Labour into the next General Election. His role in the whole affair has been highly damaging to the Labour movement. This year's annual conference will be the last opportunity to replace him before that election and one name is bound to grow for someone to come forward and challenge him for the leadership."

Many of the backers of the newsletter are supporters of Mr Tony Benn though so far he has not been willing to stand for election against the party's leader this year.

On the Tory side there are growing signs of annoyance among back benchers at the Irish Government's attitude on the Falklands crisis.

Paul Betts writes from New York: Sr Costa Mendez told the UN Security Council in New York that Sr Javier Perez de Cuellar, the UN Secretary General should again be asked to mediate in the crisis.

He was speaking at the end of the fifth day of the Security Council's emergency session on the Falklands crisis when Ireland introduced a draft resolution calling for a 72-hour ceasefire and a formal mandate to the Secretary General to renew his peace efforts. It was considered doubtful that this resolution would win the votes necessary for adoption.

BA radio offshoot sale by tender

BY RAYMOND SNODDY

PLANS are being drawn up for the sale in the next few months of International Aeradio (IAL), the profitable aviation communications and services subsidiary of British Airways. The sale is part of the airline's campaign to reduce its debt before privatisation.

Because of the embarrassment caused by the high profits for speculators out of the sale of shares in Amersham International, it has been decided that the sale of IAL shall avoid the Stock Exchange. The company will be offered instead by limited tender to a number of private companies.

S. G. Warburg, the merchant bank, has been asked to draw up a memorandum which in effect will be a prospectus on IAL. The memorandum is expected to be sent within the next four weeks to about 30 companies—in Britain, the U.S. and on the continent—which have already expressed interest in IAL.

The companies include Philips, GEC, Racal, Plessey in Britain, Philips in the Netherlands, Siemens in West Germany and Litton Industries of the U.S., as well as some unexpected candidates such as Grand Metropolitan and British American Tobacco. The sale of IAL, which had a turnover in 1980 of £134.7m and pre-tax profits of £6.3m, is expected to raise between £50m and £55m for British Airways.

Widespread interest has been expressed in IAL, which has made consistent profits since foundation in 1947. The company provides airport management in a number of Third World countries, makes air traffic control systems and aeronautical maps and timetables. It is also involved in hospital management and has been expanding its presence in the U.S. through acquisition.

The company has never officially been put up for sale, but hints have been dropped in recent months, and have been picked up by prospective buyers.

A confidential report commissioned by BA from Price Waterhouse, the accountants—and which has been extensively leaked—concluded that IAL was not directly related to BA's main business and that the airline could not commit enough investment to expand IAL.

In a series of answers in the House of Commons, Mr Ian Sproat, Under-Secretary for Trade has, over the past few months, implied that the Government was changing its policy and might allow some profitable parts of British Airways to be sold aside from the main parts of the company.

On February 1, he said he would not rule out sale of subsidiaries at a future date. On March 29, he said he would not exclude the separate disposal of a subsidiary if the BA board were to feel its interests best served by such a disposal.

Last year, it seemed BA would be privatised as a whole, to include such subsidiaries as IAL, British Airways Helicopters and various hotel investments.

Lawyers are working on a final draft of the S. G. Warburg memorandum. The companies which have expressed interest will first be asked if they are still interested. If so, they will receive the memorandum.

Senior management at IAL is concerned at the way in which the company's future is being decided and about who may take it over.

Other, larger privatisations, including those of the British National Oil Company and British Telecom, are planned by the Government.

Continued from Page 1

Citibank cuts prime to 16%

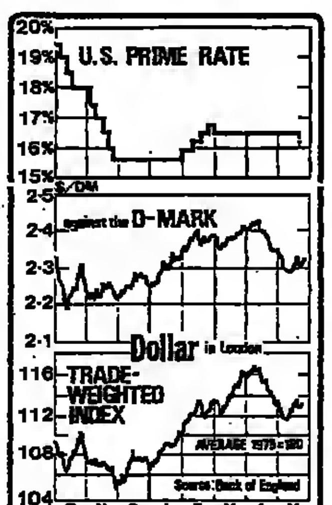
Citibank's move had little apparent effect in other markets. Foreign exchange dealers said it was expected and had been generally discounted.

On the New York Stock Exchange, the Dow Jones Industrial Average rose 4.5 points in early trading, helped by the prime cut and a fall in the broker loan rates to 14½ per cent.

Three-month Treasury Bill rates were hovering yesterday around 11.5 per cent, compared with 11.97 per cent late last week, although the market was "dramatically quiet," according to one dealer.

Mr Walter Wriston, chairman of Citicorp, the holding company which controls Citibank, said in an interview just published here that he believed the prime rate could fall to 12 per cent by the end of the year.

The National Association of Business Economists, is not so optimistic. A poll of 400 economists carried out for the association by the University of Michigan and released this week, predicts that the prime rate will fall to between 14 and 15 per cent by the end of the year, and drift down to around 13 per cent by the end of 1983.



Paul Taylor writes: In Europe, the dollar was generally firmer despite Citibank's prime rate cut, which had been largely expected and discounted. It was stronger against all the major European currencies finishing slightly more than 1½ pfennigs up against the D-Mark in London at DM 2.3135 aided by marginally firmer Eurodollar rates. The dollar's trade weighted index in London, calculated by the Bank of England against a basket of currencies, ended the day at 113.3 against 112.9 the previous day.

The pound continued to show underlying strength improving against the major European currencies but slipping marginally against the dollar to close in London five points down on the day at $1.8050. Its trade-weighted index improved to 89.8 from 89.6 on Monday.

Engineering aid scheme oversubscribed

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

A STATE aid scheme launched eight weeks ago for small engineering companies is heavily oversubscribed. The Industry Department is therefore to reject further applications from Friday evening, even though total funds available were raised yesterday from £20m to £30m.

The scheme is expected to generate orders for capital investment totalling about £90m. About 60 per cent of these is believed by the Government to be going to UK manufacturers.

The first £20m was announced at the end of March. It was part of the £130m industrial innovation package in the Budget. Ministers expected this funding to last about a year.

Response from companies which have held back from investing in capital projects in the recession has been so great, however, that 1,000 applications received already are expected to take up the £20m.

Only 196 letters promising aid have been dispatched by the department. Almost all claims received qualify for the aid, however, so it is unlikely there is any of the £20m left.

Accordingly another £10m was announced yesterday by Mr John MacGregor, Industry Department minister responsible for small businesses. The demand is such, however, that applications covering the full £30m are likely to be received by the weekend.

Mr MacGregor could promise in the Commons yesterday only that all eligible applications received by 5 pm on May 28 would receive an offer of assistance in due course and the scheme would then be closed for applications.

Mr Patrick Jenkin, Industry Secretary, will now be criticised by back bench MPs for not extending the scheme further.

Mr Michael Grylls (C. Surrey NW), chairman of both the Conservatives' back bench industry committee and of their Small Business Bureau, said a total of £100m ought to be committed so that the scheme could run for a year.

He said: "I am writing to Mr Jenkin to say it is ludicrous to cut off this scheme in its prime. It is the first industry aid scheme to have sparked a response from industry and should not be stopped."

Under the scheme engineering companies employing fewer than 200 people can obtain a capital grant of one-third of the purchase or leasing costs of investment in certain types of high-technology capital equipment. Up to two machines costing not less than £15,000 each but not more than £200,000 together can be obtained.

Industry ministers would have liked to have allocated more than an extra £10m, but decided they had no spare cash within the £130m innovation package.

RHM hit by losses in bread price war

By John Moore, City Correspondent

A FIERCE price war in the UK bread market has led to substantial losses in the bread bakery companies of Ranks Hovis McDougall, the food group whose bread brands include Mother's Pride and Nimble in addition to Hovis.

In the first six months of its current financial year, RHM bread companies are believed to have suffered losses of more than £5m as the group has fought to maintain its bread position during what it describes as an "insupportable price and discount war."

In the six months to March 6, the group as a whole reported yesterday pre-tax profits of £21.04m compared with £21.7m for the comparable period a year earlier. But because of the bread war, profits for the full year will be lower than last year's £45.3m.

Announcing its results, RHM said that "urgent and far-reaching plans have been put into operation to improve the profitability of our bread baking business."

It has about 30 per cent of the bread market, about the same as its chief rival, Associated British Foods.

To increase profitability and reduce manufacturing costs, seven of the group's bread bakeries have been closed since September and their production concentrated into more efficient bakeries within the British Bakeries chain.

The group's Glasgow bakery is to be replaced in the next 18 months at a cost of £11.5m.

At its last year end, RHM was producing Mothers Pride, Windmill, Nimble, Hovis and Granary bread and other bakery products at 60 plant bakeries.

Associated British Foods said yesterday that while there has been a discount and price war, "we have not gone so far to say that it is insupportable."

Intense competition in the UK bread market claimed one notable victim in 1978—Spillers Bakeries.

Spillers pulled out of the bread industry after six years of mounting losses. After closures, its 13 remaining bakeries were divided up between RHM and Associated British Foods.

Discount war hits RHM, Page 26

Weather

UK TODAY

CLOUDY and occasional rain, becoming brighter, with thundery rain later spreading northwards.

London, S. England, Channel Isles, the Midlands, E. Anglia
Mainly dry with a few bright intervals and thundery rain later. Max 19C (66F).

S.W. England, Wales, N.W. England
Occasional rain dying out and some sunny intervals. Light winds. Max 16C (61F).

S.W. Scotland, Isle of Man, N. Ireland
Sunny intervals and heavy showers with moderate winds. Max 16C (61F).

N. and N.E. England, Borders, E. Scotland
Cloudy with rain dying out and bright intervals. Moderate winds. Max 16C (61F).

N. Scotland
Sunny intervals and heavy showers. Wind moderate or fresh. Max 13C (55F).

Outlook: Showers, some thundery, becoming dry and warmer.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	21	70	L. Ang.†	F	16	61
Algiers	S	23	73	Luxmbg.	F	19	66
Amsdm.	C	18	64	Luxor	S	39	102
Athens	S	23	73	Madrid	S	26	79
Bahrain	S	32	90	Majorca	S	25	77
Barclna.	F	21	70	Malaga	F	21	70
Beirut	S	25	77	Malta	S	24	75
Belfast	C	15	59	M'chstr.	C	16	61
Belgrd.	S	27	81	Melbne.	F	11	52
Berlin	S	25	77	Mx. C.†			
Biarritz	F	17	63	Miami†	F	24	75
Bmghm.	F	15	59	Milan	S	24	75
Blackpl.	S	23	73	Montrl.†	C	12	54
Bordx.	S	23	73	Moscow	F	19	66
Boulgn.	F	15	59	Munich	F	16	61
Bristol	C	18	64	Nairobi	C	19	66
Brussels	C	18	64	Naples	F	21	70
Budpst.	C	15	59	Nassau			
Cairo	S	29	84	Nwcstl.	R	12	54
Cardiff	C	17	63	N. York†	R	15	59
Cas'b'ca	S	21	70	Nice	S	23	73
Cape T.	C	16	61	Nicosia	S	25	77
Chicg.†	C	11	52	Oporto	S	18	64
Cologne	C	16	61	Oslo	R	11	52
Cpnhgn.	F	17	63	Paris	S	20	68
Corfu	S	23	73	Perth	S	15	59
Denver†	F	6	43	Prague	F	17	63
Dublin	F	14	57	Reykjvk.	C	4	39
Dbrvnk.	S	14	57	Rhodes	S	22	72
Ednbgh.	F	15	59	Rio J'o†			
Faro	C	21	70	Rome	S	24	75
Florence	F	24	75	Salzbg.	F	17	63
Frankft.	C	18	64	S. Frcsc.†			
Funchal	C	19	66	S. Moritz			
Geneva	S	17	63	Singapr.	C	32	90
Gibraltar	F	19	66	S'pagot			
Glasgow	C	13	55	Stckhm.	S	16	61
G'nsey	C	16	61	Strasbg.	S	21	70
Helsinki	F	14	57	Sydney	S	20	68
H. Kong				Tangier	C	21	70
Innsbrk.	F	15	59	Tel Aviv	S	23	73
Inverns.	F	15	59	Tenerife	F	23	73
I.o.Man	C	13	55	Tokyo	C	20	68
Istanbul	S	23	73	Toronto†	C	12	54
Jersey	F	15	59	Tunis	S	24	75
Jo'burg				Valencia	S	25	77
L. Pims.	C	21	70	Venice	S	22	72
Lisbon	C	25	77	Vienna	F	18	64
Locarno	S	21	70	Warsaw	F	21	70
London	C	17	63	Zurich	S	17	63

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

THE LEX COLUMN

Grand Met's £125m hotel bill

Index rose 5.0 to 580.8

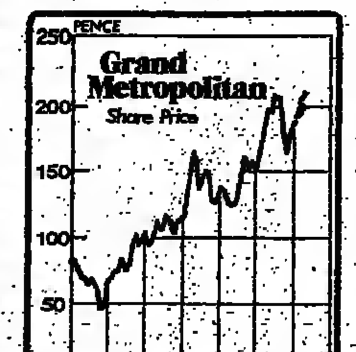
Yesterday's £125m rights issue from Grand Metropolitan was as extensively forecast as any the City has seen in recent years. After two very heavy U.S. acquisitions, Liggett and Intercontinental Hotels, gross debt is hovering around £1bn and, on a capital spending budget of well over £200m for the current year, cash flow will be barely positive even without further acquisitions.

Grand Met has been easing the debt burden with a series of small disposals but an equity offering provides logical support for the degearing process. Mindful of the fact that a rights issue was heavily discounted in its share price, the group has offered the new shares at 174p, a discount of only 13.9 per cent on Monday night's price. Yesterday, the shares actually rose 7p to 209p.

The relaxed response to the fundraising was in stark contrast to Grand Met's last rights issue, also a one-for-seven, three years ago. This time the group is not seeking to flex its muscles but to provide some room for manoeuvre on its capital account after two acquisitions well liked by the City.

The amount being raised is large by recent market standards but should be easily absorbed after a slack period for equity offerings in which most of the action has been in the property sector. Institutions are exceptionally liquid at present and may consider that Grand Met is a more attractive proposition than Allied Suppliers, which is due to raise £100m.

The proceeds should reduce the net debt in Grand Met's balance sheet to between 55 and 60 per cent of net worth. Last September, it was pushing towards 80 per cent. An increase of at least 12 per cent in the final dividend has been promised and the declared interim payment has been thrown in with the new shares. The ex-rights yield is 5.9 per cent.



RHM

After being on the wrong end of a dawn raid from British Sugar (which it afterwards reciprocated) last autumn, Ranks Hovis McDougall forecast—and achieved—an 80 per cent increase in second half profits. But all the yeast has gone out of the figures again, and profits for the six months to early March turn out at £21m for the third year running.

On the face of it, it could look as though some of this year's profits were borrowed to jack up the second half of 1980-81 under pressure from a hostile shareholder. But there is a more fundamental reason for the dull performance—the price-cutting in bread which its originator, AB Foods, played down when reporting on Monday. RHM now talks of "insupportable" discounting, and may have swung from break-even in baking to a first half loss of £6m to £7m this time.

In addition there is £1m of rationalisation costs (not all in baking) above the line and £1.6m net of tax relief below. Rapid shrinkage of capacity has been taking place, but RHM claims that the total bread market has stabilised in 1982 and that it has clawed back the market share in plant-baked bread lost under the original A.B. Foods onslaught. The whole affair would have seemed unbelievable a few years ago, when the withdrawal of Spillers from baking seemed to have presented the industry's survivors with a blank cheque.

The baking problems look less terrifying if milling and baking are considered as a single vertically-integrated business, for flour milling margins have been fat this year so far. In general the bread price war has obscured a solid improvement in RHM's other businesses, which seem to be responding to firm management. New products—and a very cold winter—have helped the carbohydrate-rich groceries and the salt interests, while the excellent Mr Kipling continues to progress and overseas profits look much better in depreciated sterling.

The rise in the interest charge relates entirely to the carrying cost of RHM's 10¼ per cent stake in British Sugar, which is more than offset by a chunky dividend receipt. The bread price war has at least had the welcome effect of making the chairman write a special letter to his shareholders, who knows, a bit of discounting in, say, gravy might winkle out some segmental data from this newly communicative company.

But for the price war, £45m would again be a realistic target for 1981-82 but it seems unlikely that the group will make much more than £37m without higher bread prices soon. Better things are happening at RHM but so long as the discounting continues the shares need their 10 per cent yield at 56½p.

Cater Allen

Last November's wedding between Cater Ryder and Allen Harvey & Ross has apparently led to such starry-eyed romance between the two partners that neither is able to think clearly about its former life.

Unfortunately for shareholders, this has produced some confusion in the preliminary statement of the new company, Cater Allen. The figures for the full year to April, described as the results of the Group, actually relate to a 12-month period for Cater Ryder, but only to the post-merger results of Allen Harvey. Losses incurred by Allen Harvey before the merger are netted off against accumulated earnings and are described as relating to Cater Allen Limited and subsidiaries. To make matters worse, the comparable figures for 1981 exclude Allen Harvey completely. Little of this is made clear in the announcement.

It does slowly emerge, however, that Allen Harvey raised its interim dividend last autumn after incurring a first-half loss and that the full year disclosed earnings of the two companies fail to cover a total dividend, which has been increased by 3 per cent on a pro-forma basis.

Cater Allen presumably believes that it can justify the additional payment with the prospect of improving returns. The markets have certainly been much kinder since Christmas and the discount houses have enjoyed a strong May in the bill market. Merger costs of about £250,000 were written off against last year's earnings and cost benefits resulting from the merger, worth perhaps £1m in a full year, are now showing through. The shares rose 17p to 322p yesterday and yield 11.2 per cent.

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